NEW ISSUE—BOOK-ENTRY ONLY **S&P RATING: "BBB"**
(See "Rating" herein)

In the opinion of Bond Counsel and the Attorney General of the State of Michigan, subject to compliance with certain covenants, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, except as described under "TAX MATTERS" herein, and the Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein.

$8,465,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(CHANDLER PARK ACADEMY PROJECT), SERIES 2008

Dated: Date of Delivery **Due: As shown on inside cover**

The Limited Obligation Revenue Bonds (Chandler Park Academy Project), Series 2008 (the "Bonds") will be issued by the Michigan Public Educational Facilities Authority (the "Issuer") as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. See "THE BONDS – Book-Entry-Only System."

The proceeds of the Bonds will be used to purchase the municipal obligation (the "Municipal Obligation") issued by Chandler Park Academy (the "Academy"). Proceeds from the sale of the Bonds and the Municipal Obligation will be used to (i) provide funds to the Academy to pay the costs of the 2008 Project (as defined herein); (ii) partially fund a debt service reserve fund, and (iii) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation. Principal of, interest and premium, if any, on the Bonds, and any Additional Bonds of the Issuer (as defined herein), are payable solely from funds pledged under a Trust Indenture between the Issuer and U.S. Bank National Association, as Authority Trustee (the "Indenture"), including the Academy's payments (the "Academy Payments") due under both the Municipal Obligation and the Financing Agreement between the Issuer and the Academy (the "Financing Agreement"). The Bonds are being used to acquire the Municipal Obligation, which is issued on a parity basis with other indebtedness of the Academy under the 2005 Academy Indenture described below. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Other Academy Indebtedness."

Interest on the Bonds will accrue from the date of delivery and will be payable semi-annually on each May 1 and November 1, commencing November 1, 2008. Principal of and interest on the Bonds will be paid by the corporate trust office of U.S. Bank National Association, the Authority Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to DTC. Disbursements of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to optional, mandatory and extraordinary mandatory redemption as described in this Official Statement. See "THE BONDS – Redemption of the Bonds Prior to Maturity" herein.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY PAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY PAYMENTS AND OTHER LONG TERM ACADEMY INDEBTEDNESS SECURED BY STATE SCHOOL AID. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, SAGINAW VALLEY STATE UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE ISSUER, SAGINAW VALLEY STATE UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS."

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption "RISK FACTORS" herein.

The Bonds are offered when, as and if issued by the Issuer and received and accepted by the Underwriter and subject to the approval of legality by Lewis & Munday, A Professional Corporation, Detroit, Michigan, Bond Counsel, and the Attorney General of the State of Michigan, and certain other conditions. Certain legal matters, including the enforceability of the Municipal Obligation, will be passed upon by Dickinson Wright PLLC, Bloomfield Hills, Michigan, as counsel to the Academy. Certain legal matters will be passed upon by Dykema Gossett PLLC, Lansing, Michigan as Underwriter's Counsel. It is expected that the Bonds in book-entry form will be available for delivery against payment therefor on or about August 1, 2008.

5/3
FIFTH THIRD
SECURITIES

Dated: July 24, 2008

MATURITY SCHEDULE

Term Bonds

$1,685,000 5.60% Term Bond Due November 1, 2018 – Yield 5.60% CUSIP 594569 CU7
$3,025,000 6.35% Term Bond Due November 1, 2028 – Yield 6.35% CUSIP 594569 CV5
$3,755,000 6.50% Term Bond Due November 1, 2035 – Yield 6.50% CUSIP 594569 CW3

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Academy, or the Underwriter to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy and, there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The descriptions of the documents in the Official Statement are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents.

The Authority Trustee assumes no responsibilities for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE ISSUER (WITH RESPECT TO THE INFORMATION UNDER THE CAPTION "THE ISSUER" ONLY), THE ACADEMY, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

This Official Statement contains forward-looking statements, which can be identified by the use of the future tense or other forward-looking terms such as "may," "intend," "will," "expect," "anticipate," "plan," "management believes," "estimate," "continue," "should," "strategy," or "position" or the negatives of those terms or other variations of them or by comparable terminology. In particular, any statements, express or implied, concerning future receipts of federal grants or the ability to generate cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the Academy's management believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the Academy that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. The Academy undertakes no duty to update any forward-looking statements.

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OFFICIAL STATEMENT

$8,465,000
MICHIGAN PUBLIC EDUCATIONAL
FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(CHANDLER PARK ACADEMY PROJECT), SERIES 2008

INTRODUCTION

This Official Statement (including the cover page and Appendices) is provided to furnish information in connection with the issuance and sale by the Michigan Public Educational Facilities Authority (the "Issuer") of its Limited Obligation Revenue Bonds (Chandler Park Academy Project), Series 2008 in the aggregate principal amount of $8,465,000 (the "Bonds"). The Bonds will be limited obligations of the Issuer as described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Bonds will be issued under a Trust Indenture, dated as of August 1, 2008 (the "Indenture" or the "Authority Indenture"), between the Issuer and U.S. Bank National Association, as Authority Trustee (the "Authority Trustee"). The proceeds of the Bonds will be used to purchase the School Building and Site Bond dated as of August 1, 2008 (the "Municipal Obligation") issued by Chandler Park Academy (the "Academy") pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended. Proceeds from the sale of the Bonds and the Municipal Obligation will be used to (i) provide funds to the Academy to pay the cost of the 2008 Project (as defined below); (ii) partially fund a debt service reserve fund; and (iii) provide funds to pay certain costs relating to the issuance of the Bonds and the issuance of the Municipal Obligation. Principal of, interest and premium, if any, on the Bonds are payable solely from funds pledged under the Indenture, including the Academy's payments (the "Academy Payments") due under both the Municipal Obligation and the Financing Agreement dated as of August 1, 2008 between the Issuer and the Academy (the "Financing Agreement").

The Bonds are payable, on a parity basis with any Additional Bonds (as defined herein) of the Issuer, solely from the revenues pledged therefor under the Indenture, including the Academy Payments due under both the Municipal Obligation and the Financing Agreement.

The Bonds are being used to acquire the Municipal Obligation, which is issued on a parity basis with other indebtedness of the Academy under the 2005 Academy Indenture described below. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Other Academy Indebtedness."

In order to ensure that the Academy will meet its obligations to make the Academy Payments, the Academy has assigned a portion (not exceeding twenty percent (20%)) of the State School Aid to be received by the Academy from the State of Michigan (the "Direct Payments") and other funds pledged by the Academy under the Indenture. Pursuant to the Amended and Restated State Aid Pledge Agreement (the "State Aid Agreement") dated as of August 1, 2008, by and among the Academy, the Issuer, the Board of Control of Saginaw Valley State University ("SVSU" or the "Authorizing Body"), as authorizing body and fiscal agent for the Academy, the State Treasurer, and U.S. Bank National Association, as depository (the "Depository") and as Authority Trustee and Academy Trustee (as defined herein), the Direct Payments are to be paid to the Depository and disbursed to pay debt service on the Bonds and other outstanding indebtedness secured by State School Aid. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Other Academy Indebtedness." The State Aid Agreement provides for the intercept of 97% of the Academy's State School Aid, and on parity basis, the deposit by the Depository of the share allocable to the Bonds with the Authority Trustee, and the share allocable to the Academy's other indebtedness under the 2005 Academy Indenture with the Academy Trustee. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – State School Aid Pledge."

THE BONDS AND ANY ADDITIONAL BONDS OF THE ISSUER ARE PAYABLE SOLELY FROM THE ACADEMY PAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY (20%) PERCENT OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY PAYMENTS AND OTHER LONG TERM ACADEMY INDEBTEDNESS SECURED BY STATE SCHOOL AID. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, SAGINAW VALLEY STATE UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, SAGINAW VALLEY STATE UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS."

THE 2008 PROJECT

The proceeds from the sale of the Municipal Obligation will pay the costs of the 2008 Project.

The "2008 Project" consists of the acquisition of approximately ten acres of land and an approximately 123,000 square foot existing school facility thereon located at 20200 Kelly Road, Harper Woods, Michigan, including existing fixtures and improvements (the "Facility"). The Facility is being acquired from the Sisters of Saint Joseph of the Third Order of Saint Francis ("Sisters of St. Joseph"), who operated it as Regina High School and currently lease the Facility to the Academy. On June 30, 2008 the Academy contracted to purchase the Facility from the Sisters of St. Joseph for $7,700,000 pursuant to exercise of an existing option to purchase the Facility and a Purchase and Sale Agreement dated July 14, 2008 (collectively, the "Purchase Agreement"). In connection with the Purchase Agreement and issuance of the Bonds, the Academy received a written appraisal of the Facility from a certified general appraiser dated June 15, 2006 (the "Appraisal") providing for a reconciled real estate value subject to the assumptions and qualifications contained therein, of $8,500,000.

For further information on the 2008 Project, see "APPENDIX A – CHANDLER PARK ACADEMY – The 2008 Project."

Acquisition of the 2008 Project, issuance by the Academy of its Municipal Obligation, and execution of the Financing Agreement, the State Aid Agreement, the Mortgage, and other documents related to issuance of the Bonds was approved by the Board of Directors of the Academy by resolution adopted June 17, 2008. The University Director of School/University Partnerships issued a letter dated May 13, 2008, permitting the Academy to proceed with the transaction described herein in accordance with the terms of its Charter (as defined in "APPENDIX A – CHANDLER PARK ACADEMY – The Charter").

THE ISSUER

The Issuer is a public body corporate and politic of the State of Michigan (the "State"), created by Executive Order 2002-3, compiled at §12.192 of the Michigan Compiled Laws, and is housed within the Michigan Department of Treasury. The Issuer was established for, among other purposes, the purpose of lending money to public school academies within the State for financing or refinancing the acquisition, construction and equipping of public school facilities and for other purposes. In order to effectuate such purposes, the Issuer is authorized to issue its bonds or notes and to make money available to public school academies by the purchase of, among other things, Municipal Obligations or making loans to a nonprofit corporation for the benefit of a public school academy.

The Issuer is governed by a Board of Trustees (the "Board"). The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. The members serve for various terms and continue to serve until successors are appointed and file the oath of office. The members of the Board are:

Amal M. Berry-Brown	Vice President of Business Affairs Management Comerica Bank Detroit, Michigan
Mark J. Burzych	Attorney Fahey Schultz Burzych Rhodes, PLC Okemos, Michigan
Timothy A. Hoffman	Director of Regulatory Affairs Consumers Energy Lansing, Michigan
Robert J. Kleine	State Treasurer Lansing, Michigan
David S. Mittleman, Chairperson	Partner ChurchWyble, P.C. Lansing, Michigan

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture are those of the Issuer and not of any member of the Board or any officer or employee of the Issuer in his or her individual capacity and that no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or on the Indenture against any member of the Board, any officer or employee of the Issuer or any person executing the Bonds.

The Issuer is housed within the State Department of Treasury but exercises its statutory functions independently of the State Treasurer. The Issuer's address is Richard H. Austin State Office Building, 430 West Allegan Street, 1st Floor, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

The Executive Director of the Issuer is Thomas J. Letavis.

The Bonds are limited obligations of the Issuer as described in this Official Statement. The Issuer is not generally liable on the Bonds or on any other obligation incurred by the Issuer under the Indenture or the Financing Agreement. The Bonds are not general obligations and do not constitute debts or pledges against the general credit of the Issuer or the credit or taxing power of the State of Michigan. The Bonds are limited obligations of the Issuer, which will, if and when issued, be payable solely through revenues, properties or other funds as described in this Official Statement, the Indenture and the Financing Agreement. No owner of any Bond shall have the right to demand payment of the principal of, premium, if any, or interest on such Bond out of any funds to be raised by taxation. The Issuer has no taxing power.

The Issuer has not prepared any material for inclusion in this Official Statement except the matters under the heading "THE ISSUER." The distribution of this Official Statement has been duly approved and authorized by the Issuer. Such approval and authorization do not, however, constitute a representation of approval by the Issuer of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this Section.

THE ACADEMY

The Academy is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code, Michigan Compiled Laws ("M.C.L.") § 380.501 et. seq. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 et. seq.

The Academy began operations in 1997 as a public school academy. The Academy's mission is to deliver academic excellence, charter development and leadership for the urban child, and to benefit from a culturally and academically enriched K-12 college preparatory education. The Academy has adopted a curriculum that is aligned to the Michigan Curriculum Framework.

The Academy is governed by a volunteer Board of Directors and operates under a charter contract (the "Charter") with SVSU, its authorizing body. The Charter is set to expire on June 30, 2012.

The Academy's educational facilities are managed pursuant to a management contract with Varner & Associates International, LLC ("Varner") through June 30, 2009. For additional information regarding the Academy and Varner, see "APPENDIX A – CHANDLER PARK ACADEMY."

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds, together with other available funds, will be used to (i) provide funds to the Academy to pay the costs of the 2008 Project; (ii) fund a debt service reserve fund; and (iii) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation.

Sources of Funds:	
Bond Proceeds (Par Amount)	$8,465,000.00
Issuer Contribution	500,000.00
Total Sources:	$8,965,000.00
Uses of Funds:	
Deposit to Project Fund	$7,968,382.39
Deposit to Reserve Fund	
Authority Funded Reserve Account	500,000.00
Academy Funded Reserve Account	159,322.50
Costs of Issuance (including Underwriter's discount)*	337,295.11
Total Uses:	$8,965,000.00

*Includes estimated costs for legal, accounting, trustee, printing and other expenses relating to the issuance of the Bonds and the Municipal Obligation.

THE BONDS

General

The Bonds will be issuable as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Official Statement, payable semi-annually on May 1 and November 1 of each year, commencing on November 1, 2008 (each an "Interest Payment Date").

Interest on the Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Bonds will be made upon surrender of the Bonds at the office of the Authority Trustee. Payments of interest on the Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Authority Trustee irrespective of any transfer or exchange of the Bonds subsequent to the Record Date and prior to such Interest Payment Date. The "Record Date" means the 15th day of the calendar month immediately preceding any Interest Payment Date, regardless of whether such day is a business day.

Redemption of Bonds Prior to Maturity

Optional Redemption

The Bonds are subject to redemption at the option of the Academy in whole or in part in multiples of $5,000 on any day commencing on or after November 1, 2015, and if in part by lot in such manner as the Authority Trustee shall determine, at the redemption prices of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing November 1, 2018, November 1, 2028 and November 1, 2035 are subject to mandatory sinking fund redemption on November 1, 2009 and on each November 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption from amounts on deposit in the Revenue Account of the Bond Fund established pursuant to the Indenture as follows:

Term Bonds Maturing
November 1, 2018

Date	Principal Amount	Date	Principal Amount
2009	$130,000	2014	$170,000
2010	140,000	2015	180,000
2011	145,000	2016	190,000
2012	155,000	2017	200,000
2013	160,000	2018**	215,000

** Maturity Date

Term Bonds Maturing
November 1, 2028

Date	Principal Amount	Date	Principal Amount
2019	$225,000	2024	$305,000
2020	240,000	2025	325,000
2021	255,000	2026	350,000
2022	270,000	2027	370,000
2023	290,000	2028**	395,000

** Maturity Date

Term Bonds Maturing
November 1, 2035

Date	Principal Amount
2029	$420,000
2030	445,000
2031	475,000
2032	505,000
2033	540,000
2034	575,000
2035**	795,000

** Maturity Date

Extraordinary Mandatory Redemption Upon Determination of Taxability

The Bonds are subject to extraordinary mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Extraordinary Mandatory Redemption From Insurance and Condemnation Proceeds

The Bonds are subject to extraordinary mandatory redemption in whole at any time or in part (provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Business Day, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the date fixed for redemption, in an amount equal to any insurance or condemnation proceeds deposited with the Authority Trustee for the purpose of redemption pursuant to the Financing Agreement, the Municipal Obligation and the Academy Indenture. Any redemption in part shall be by lot in such manner as the Authority Trustee shall determine.

Notices of Redemption

Under the Indenture, the Authority Trustee shall give notice of each redemption to the Registered Owner of any Bonds designated for redemption in whole or in part at the address as shall last appear upon the registration books maintained by the Authority Trustee by mailing a copy of the redemption notice by first-class mail at least 30 days but no more than 45 days prior to the Redemption Date. The failure of the Authority Trustee to give notice to an Owner by mailing or the failure of any Owner to receive notice, or any defect in such notice will not affect the validity of the redemption of any Bonds.

Upon surrender of any Bond in a denomination greater than the minimum Authorized Denomination, which Bond has been called for redemption in part only, the Issuer shall execute and the Authority Trustee shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to, and otherwise the same as, the unredeemed portion of the Bond surrendered.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate in typewritten form will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO BONDHOLDERS, HOLDERS OR OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a

Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Academy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Authority Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Issuer or the Authority Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository); in that event, the Bond certificates will be printed and delivered to the Participants for delivery to the Beneficial Owners. The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer assumes no responsibility for the accuracy thereof.

NEITHER THE ISSUER, THE ACADEMY, THE AUTHORITY TRUSTEE, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the Issuer and are payable under the Authority Indenture, on a parity basis with any Additional Bonds, by the Issuer solely from the Academy Payments due under both the Financing Agreement and the Municipal Obligation and other funds pledged under the Indenture. The Academy has pledged a portion of its State School Aid payments to pay the Academy Payments and with respect to this pledge the Academy has entered into the State Aid Agreement relating to the intercept and/or advance of its State School Aid payments. As described below, the Academy has also pledged its State School Aid payments as security for other Academy indebtedness. **The Bonds are being used to acquire the Municipal Obligation, which is issued by the Academy on a parity basis with other indebtedness of the Academy under the 2005 Academy Indenture described below. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Other Academy Indebtedness."**

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY PAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY'S REPAYMENTS AND OTHER INDEBTEDNESS OF THE ACADEMY SECURE BY STATE SCHOOL AID. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, SAGINAW VALLEY STATE UNIVERSITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, SAGINAW VALLEY STATE UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER.

Additional Bonds and Additional Indebtedness

The Indenture permits the issuance of Additional Bonds (the "Additional Bonds") of the Issuer, which shall be secured on a parity basis with the Bonds, provided that the Academy satisfies certain covenants with respect to additional indebtedness. The Academy may also incur other additional indebtedness as described in the Academy Indenture (see below). See "LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS" below for a description of the terms and conditions under which the Authority may issue Additional Bonds and the Academy may incur additional indebtedness, both under the Indenture and the 2005 Academy Indenture (defined below).

Other Academy Indebtedness

In 2005, the Academy issued its Public School Academy Revenue Bonds, Series 2005 in the original principal amount of $7,420,000 (the “2005 Academy Indebtedness”) pursuant to a Trust Indenture dated as of August 9, 2005 (the “2005 Academy Indenture”) between the Academy and U.S. Bank National Association, as trustee (the “Academy Trustee”). The 2005 Academy Indebtedness is currently outstanding in the principal amount of $7,300,000 and has scheduled debt service through November 1, 2035. The 2005 Academy Indebtedness was issued to finance the acquisition of an existing school facility located at 20100 Kelly Road, Harper Woods, Michigan and certain renovations to and equipping of the school facility (the “2005 Project”).

The Municipal Obligation being acquired by the Authority is issued under the First Supplemental Indenture, dated as of August 1, 2008, which supplements and amends the 2005 Academy Indenture (the “First Supplemental Indenture” and, together with the 2005 Academy Indenture, the “Academy Indenture”) on a parity basis with the 2005 Academy Indebtedness and any other additional indebtedness which may be incurred under the 2005 Academy Indenture or the First Supplemental Indenture.

Security for the Municipal Obligation and Other Academy Indebtedness

The Academy has pledged its State School Aid as security for both the 2005 Academy Indebtedness and the Municipal Obligation. See “STATE SCHOOL AID PLEDGE” below.

Pursuant to the 2005 Academy Indenture, the Academy provided the Academy Trustee with a mortgage of the 2005 Project (the “2005 Mortgage”). In connection with issuance of the Municipal Obligation, the Academy is amending and restating the 2005 Mortgage to include a mortgage of the 2008 Project (the “2008 Mortgage” and collectively with the 2005 Mortgage, the “Mortgages”) to the Academy Trustee, as Mortgagee. See “The Mortgages and the Environmental Reports” below. The Mortgages serve as security, on a parity basis, for the 2005 Academy Indebtedness, the Municipal Obligation, and any additional indebtedness which may be incurred by the Academy under and in accordance with the provisions of the 2005 Academy Indenture or the First Supplemental Indenture, as described in greater detail under the “The Mortgages and the Environmental Reports” below.

The Financing Agreement and the Municipal Obligation

Under the Financing Agreement, the Issuer agrees to issue, sell and deliver the Bonds pursuant to the Indenture and cause the proceeds of the sale of the Bonds to be deposited with the Authority Trustee and applied as contemplated by the Indenture to purchase the Municipal Obligation. The Academy will pay periodic installments in the amounts and on the dates set forth in the Municipal Obligation and the Financing Agreement to the Authority Trustee as assignee of the Issuer. The obligation of the Academy to pay the Bond Payments and Additional Payments (each as defined in the Financing Agreement) and all amounts required by the Municipal Obligation and the Financing Agreement are an absolute and unconditional general obligation of the Academy and are not subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. The Academy has no taxing power. It is the intent and expectation of the Academy and the Issuer that the Bond Payments will be sufficient for the payment in full of the principal of and interest on the Bonds.

State School Aid Pledge

Pursuant to the Financing Agreement, the Academy has pledged the State School Aid payments to be received by it in each fiscal year from the State (the “Pledged State School Aid”) to pay the Bond Payments and any Additional Payments due under the Financing Agreement; provided that the Pledged State School Aid applied by the Authority Trustee under the Indenture on behalf of the Academy to pay Bond Payments under the Financing Agreement, together with other long term indebtedness of the Academy secured by State School Aid (which presently includes the 2005 Academy Indebtedness), in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

The Academy agrees with the Issuer under the Financing Agreement that if the State School Aid Act is modified to provide for a different schedule of periodic State School Aid payments than that now in effect, the Issuer, by written notice to the Authority Trustee, the State Treasurer, the Academy and its Authorizing Body may designate different payment dates (and, to the extent necessary, different payment amounts) to provide for timely receipt of Bond Payments consistent with such revised State School Aid payment schedule.

The Academy's Municipal Obligation and its 2005 Academy Indebtedness are both secured by its State School Aid. Pursuant to the State Aid Agreement, 97% of the Academy's State Aid will be paid to the Depository. The Depository will then provide for the deposit, on a parity basis, of the share allocable to the Authority Trustee with the Authority Trustee pursuant to the Financing Agreement, and the share allocable to the Academy Trustee with the Academy Trustee pursuant to the 2005 Academy Indenture.

Direct Transfer of State School Aid by State Treasurer for Payment of the Municipal Obligation

Under the Financing Agreement the Academy has agreed to pay the Bond Payments and Additional Payments from the State School Aid to be allocated to it and payable to its Authorizing Body. The Issuer and the Academy in the Financing Agreement, and the Academy and its Authorizing Body in the State Aid Agreement, agree that the State Treasurer is irrevocably directed, starting in August, 2008 to transmit 97% of the Academy's State School Aid to the Depository. Under the State Aid Agreement, the Depository, on a parity basis, shall deposit the share allocable to the Bonds with the Authority Trustee and the share allocable to the 2005 Academy Indebtedness with the Academy Trustee, as directed by the Authority Trustee and the Academy Trustee, respectively. Under the Financing Agreement, the Academy pledges an amount equal to 1/10 of the annual principal payments scheduled on the Bonds plus 1/10 of the annual interest obligation on the Bonds plus 1/10 of the Scheduled Fee Payment Component (as defined in the Financing Agreement) on the 20th of each November, December, January, February, March, April, May, June, July, and August (or, if the 20th falls on a Saturday, Sunday or legal holiday, on the immediately succeeding regular business day) provided, that the amounts applied by the Authority Trustee to Bond Payments and to any other long term indebtedness of the Academy secured by State School Aid in any fiscal year of the State shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

If for any reason the amount held by the Authority Trustee on the due date of any Bond Payment and Additional Payment is insufficient to pay the Bond Payment or Additional Payment due under the Financing Agreement, then in that event the Academy pledges to use any and all other available funds to satisfy that Bond Payment or Additional Payment obligation.

The State Aid Agreement does **not** provide for advancement of State School Aid by the State Treasurer in the event of the insufficiency of an Academy Repayment.

State School Aid Source

The primary source of revenue received by the Academy is State School Aid which is a per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature.

See "APPENDIX A – CHANDLER PARK ACADEMY – State Aid Payments" for the Academy's State School Aid per pupil allowance for the 2000–01 through 2007-08 fiscal years.

Pursuant to the State School Aid Act, a public school academy's annual entitlement to State School Aid for the 2008-09 fiscal year shall be paid in installments equal to one-eleventh of such entitlement on the 20th (or if the 20th falls on a Saturday, Sunday or legal holiday, on the immediately succeeding regular business day) in each of the months of October through August, subject to certain statutory adjustments.

Pupil Membership Counts

State School Aid is paid to a public school academy on a per pupil basis. The State School Aid Act currently provides that pupil membership is based on a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. The State School Aid Act contains alternative methodologies for determining pupil counts for public school academies which have been in existence less than two years or which have suspended operations for one or more semesters. For school districts, including public school academies, which have pupils enrolled in a grade level that was not offered the prior year, pupil membership counts for that grade level are based on an average of the current September count and the following February supplemental count, all as determined by the Michigan Department of Education. Due to grade growth, the Academy enrollment is modified downward from actual September count due to the blended count process as described above, but none of the alternative methodologies described in the third sentence above for determining pupil counts currently applies to the Academy.

Legislative Changes in the State School Aid Act

The State School Aid Act may be modified by the Michigan Legislature, subject only to certain State constitutional parameters. The amount, timing and methodology for calculation of State School Aid have changed significantly in recent years. State School Aid payments are subject to annual appropriation and future modification by the Michigan Legislature, subject only to such constitutional parameters. See "RISK FACTORS – DELAY IN, REDUCTION, OR TERMINATION OF STATE SCHOOL AID" and "RISK FACTORS – Changes in Law" herein

Changes in State School Aid Distributions

Scheduled State Aid amounts are subject to reduction, and have been reduced, in the event there are insufficient funds to support an enacted school aid fund budget. Under the State's Constitution and State law, the State is required to maintain a balanced budget for any fiscal year. Due to insufficient funds to support the enacted State school aid budget, in fiscal year 2002-03, the final six State Aid payments to school districts were reduced on a pro rata basis in an amount equal to 3.8% of the districts' unprotected State Aid, ranging from $0 to $137 per pupil; and in fiscal year 2003-04, adjustments were made to the State school aid budget, including a six-month delay in the previously scheduled reduction of the State income tax rate from 4.0% to 3.9%. Under the terms of the adjustments, State Aid to school districts was reduced in fiscal year 2003-04 by approximately $75 per pupil.

There is past precedent for (i) the State Treasurer giving advance notice to the State Budget Director if estimated school aid fund revenues and other dedicated funding would be insufficient to support appropriated State Aid amounts for a fiscal year, and (ii) the State Budget Director, pursuant to Section 11(3) of the State School Aid Act, notifying the State Senate Majority Leader and the Speaker of the State House of Representatives that beginning on a specified date, a specified prorated reduction in a fiscal year would be applied to all spending categories except those specifically protected by law, unless legislation were enacted to reduce that fiscal year's school aid appropriations so as not to exceed the revised school aid revenue projections.

Section 20 of Article 5 of the State Constitution requires that the Governor, with the approval of the appropriating committees of the State House of Representatives and the State Senate, reduce expenditures authorized by appropriations whenever it appears that actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based. On March 22, 2007, the Governor issued Executive Order 2007-3 and ordered budget cuts of approximately $274,245,000 in the general fund and $70,383,100 in special purpose funds in anticipation of actual revenue falling below revenue estimates in order to balance the fiscal year 2006-07 budget. The budget cuts did not include reductions in the State's School Aid Fund. Under State law, the Senate and House Appropriations Committees had 10 days to either approve or disapprove by a majority vote the reductions contained in that order. Both the Senate and House Appropriations Committees approved the reductions in Executive Order 2007-3. On March 29, 2007, the Governor also issued 10 directives to State departments and agencies to take new steps to curtail spending. On October 1, 2007, the Legislature approved a one month continuation in budget, and on October 31, 2007, the Legislature adopted the appropriation bills for the 2007-08 fiscal year.

On November 8, 2007, the Governor signed Act No. 137, Public Acts of Michigan, 2007, which increased the minimum per pupil foundation allowance to $7,204 for fiscal year 2007-08; up to $96 per pupil will be paid to districts with a fiscal year 2006-07 per pupil foundation grant that was at least equal to $7,108 but less than $8,385, the new "basic foundation allowance" (which is not a minimum funding level). For information on the Academy's foundation allowance, see "APPENDIX A-CHANDLER PARK ACADEMY."

The Reserve Fund

The Reserve Fund (the "Reserve Fund") will be established pursuant to the Indenture and is to be funded in the aggregate amount of $659,322.50, the Reserve Fund Requirement. Within the Reserve Fund, there shall be established separate trust accounts to be designated the "Academy Funded Reserve Account" and the "Authority Funded Reserve Account." The Academy Funded Reserve Account is to be funded by proceeds of the Bonds in an amount equal to $159,322.50. The Authority Funded Reserve Account is to be funded on the date of issuance of the Bonds by a contribution by the Issuer of grant funds which the Issuer has determined to use for such purpose from grant funds obtained by the Issuer from the United States Department of Education in the amount of $500,000.

The "Reserve Fund Requirement" means an amount equal to the lesser of (a) the maximum annual principal and interest requirements on the Bonds, (b) 125% of the average annual principal and interest requirements on the Bonds, or (c) 10% of the original principal amount of the Bonds (net of original issue discount). Amounts in the Reserve Fund provide additional security for the Bonds.

If at any time there are not sufficient funds in the Bond Fund established under the Indenture for the payment of principal of, premium, if any, and interest on the Bonds as the same become due, the Authority Trustee shall withdraw pari passu, on a pro rata basis, from the various accounts in the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Bonds.

Pursuant to the Financing Agreement, if any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund, the Academy shall pay to the Authority Trustee for deposit into the Reserve Fund on each Payment Date commencing with the first Payment Date following such withdrawal, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven consecutive equal installments or such other number of equal installments as the Authority Trustee shall determine necessary to restore the Reserve Fund to the Reserve Fund Requirement by the next date specified in the Indenture for payment of interest or principal on the Bonds (e.g. May 1 of a given year with respect to interest or November 1 of a given year with respect to principal, each commencing in 2008, which dates are defined as a "Bond Payment Date"). If on any Bond Payment Date, the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay to the Authority Trustee for deposit into the Reserve Fund on each Payment Date, commencing on the first Payment Date following such Bond Payment Date, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in full (such payments being "Reserve Fund Payments").

Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund (after taking into consideration the priority of payments set forth in the Indenture), then the obligation to make Reserve Fund Payments in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement shall be accelerated, and the Authority Trustee shall transfer funds from the State Aid Intercept Account to the Academy Funded Reserve Account of the Reserve Fund to satisfy all outstanding Reserve Fund Requirements in the Indenture.

Earnings realized from investments of moneys in the Authority Funded Reserve Account of the Reserve Fund shall be released to the Issuer free and clear of the lien of the Indenture on the business day before each May 1 and November 1, without regard to whether the aggregate amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement and on the business day before payment or defeasance of all of the Bonds in accordance with the Indenture. Earnings and profits realized from the investment of moneys in the Academy Funded Reserve Account of the Reserve Fund shall be released to the Bond Fund on or after each May 1 and November 1, unless the amount on deposit in the Reserve Fund after taking into account the income derived from investment of moneys deposited in the Authority Funded Reserve Account ("Earnings") released or to be released to the Issuer from the Authority Funded Reserve Account) is less than the Reserve Fund Requirement, in which case, Investment Income on the Academy Funded Reserve Account of the Reserve Fund shall be retained in the Academy Funded Reserve Account until the amount on deposit in the Academy Funded Reserve Account equals the Reserve Fund Requirement. Moneys from the proceeds of the Bonds or any Additional Bonds held in the Academy Funded Reserve Account in excess of the amount equal to the difference between the Reserve Fund Requirement and the amount on deposit in the Authority Funded Reserve Account shall be transferred by the Authority Trustee to the credit of the Revenue Account of the Bond Fund to be used to pay principal or interest on the Bonds on the next available Bond Payment Date.

A separate reserve fund was established under the 2005 Academy Indenture for the 2005 Academy Indebtedness. That reserve fund does **not** secure either the Bonds or the Municipal Obligation.

The Mortgages and the Environmental Reports

As additional security for the Municipal Obligation and other indebtedness from time to time outstanding under the 2005 Academy Indenture, the Academy will deliver, and the Academy Trustee will receive, a first mortgage lien, subject to permitted encumbrances, on the 2008 Project to secure the payment of all indebtedness thereunder including the Academy's Municipal Obligation being sold to the Authority. The Academy Trustee is already in receipt of a first mortgage lien, subject to permitted encumbrances, on the 2005 Project.

THE MORTGAGES ARE NOT HELD BY THE AUTHORITY TRUSTEE, BUT BY THE ACADEMY TRUSTEE. THE MORTGAGES DO NOT DIRECTLY SECURE THE BONDS, BUT SECURE THE MUNICIPAL OBLIGATION ON A PARITY BASIS WITH OTHER ACADEMY INDEBTEDNESS UNDER THE 2005 ACADEMY INDENTURE. IN THE EVENT OF NONPAYMENT OF THE MUNICIPAL OBLIGATION OR THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE FINANCING AGREEMENT, THE AUTHORITY TRUSTEE MAY NOT PROCEED DIRECTLY TO FORECLOSE THE MORTGAGES; RATHER IT IS ENTITLED, ON A PARITY BASIS WITH OTHER BONDHOLDERS UNDER THE ACADEMY INDENTURE AND SUBJECT TO CONSENT OF 51% IN PRINCIPAL AMOUNT OF ALL BONDHOLDERS UNDER THE ACADEMY INDENTURE, TO DIRECT THE ACADEMY TRUSTEE TO SO PROCEED, SUBJECT TO THE RIGHTS OF THE ISSUER'S BONDHOLDERS TO DIRECT THE AUTHORITY TRUSTEE. SINCE THE MORTGAGES SECURE ALL INDEBTEDNESS OUTSTANDING UNDER THE 2005 ACADEMY INDENTURE ON A PARITY BASIS, PROCEEDS OF THE REALIZATION ON ANY SECURITY UNDER THE 2005 ACADEMY INDENTURE, INCLUDING MORTGAGES, ARE TO BE APPLIED BY THE ACADEMY TRUSTEE ON A PARITY BASIS TO THE OBLIGATIONS ISSUED THEREUNDER.

Under the State School Aid Act, property of a public school academy that was acquired substantially with funds appropriated under such Act is required to be transferred to the State by the public school academy in certain events, including revocation of its charter or if its charter has not been reissued by the authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the public school academy secured by such property, and second, to deposit any remaining amount into the State School Aid fund.

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. The Academy has obtained Phase I Environmental Report regarding both the 2005 Project and the 2008 Project. See "RISK FACTORS – Environmental Issues Regarding the Projects" for a description of the Environmental Reports.

Certain Financial Information Concerning the State

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available from the Office of the State Budget website at www.michigan.gov/budget. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually.

Limited Obligation

Neither the Issuer nor the State of Michigan nor Saginaw Valley State University shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto, except that the Issuer shall be obligated to make such payments solely from the security for the Bonds described herein. Neither the faith and credit of the Issuer or of Saginaw Valley State University nor the taxing power of the State of Michigan is pledged to the payment of the principal of, premium, if any, or the interest on, the Bonds. The Bonds are not general obligations of the Issuer, but are limited obligations payable solely from certain amounts payable by the Academy under the Financing Agreement and other moneys pledged therefor under the Indenture. The Issuer has no taxing power.

COVENANTS AND AGREEMENTS OF THE ACADEMY UNDER THE FIRST SUPPLEMENTAL INDENTURE AND THE 2005 ACADEMY INDENTURE

The First Supplemental Indenture and the 2005 Academy Indenture contain a number of covenants and agreements of the Academy. Provisions regarding real estate collateral and pledges of State School Aid, together with limitations of the Academy's incurrence of additional indebtedness are described herein. For further information, see "APPENDIX E – Summary of Certain Provisions of the First Supplemental Indenture and the 2005 Academy Indenture."

CHARTER SCHOOLS IN MICHIGAN

General

In December of 1993, Michigan became the ninth state to pass charter school legislation. The current charter school statute is codified in the Revised School Code, § 380.501 – 380.507 of the Michigan Compiled Laws (M.C.L.). In Michigan, charter schools are known as public school academies. A public school academy is a state-supported public school that is funded through the State School Aid Act (1979 PA 94, as amended, M.C.L., 388.1601, *et. seq.*) and receives funding through a per pupil base allowance. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – State School Aid Source" herein.

According to the Michigan Department of Education, during the 2007-08 fiscal year, there were 230 public school academies serving students. More than 50% of charter students are minorities and 58% of charter students qualify for free- or reduced-price lunch.

Michigan Supreme Court Upholds Law

The Michigan Supreme Court ruled 5-1 on July 30, 1997 that Michigan's original public school academy law was constitutional. The Court ruled that "1993 PA 362 does not violate Constitution 1963, article 8 section 2 or section 3. Further, . . . the 1994 PA 416 repealer is valid and enforceable, requiring remand to the trial court for vacation of the injunction and entry of an order to the Department of Treasury to disburse funds to the public school academies operating under 1993 PA 362." *Council of Organizations and Others for Educ. about Parochiaid, Inc. v. Michigan Dept. of Educ. et. al.*, 455 Mich. 557, 556 N.W.2d 208 (Mich. 1997).

Michigan School Finance Reform

On June 15, 1994, the electors of the State of Michigan approved a ballot proposition ("Proposal A") to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in Michigan in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among all school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994/1995. The Legislature has historically appropriated funds to establish a foundation allowance within a range based in part on historical revenue. The foundation allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and change in the total number of pupils statewide and the disparity between the high and low per pupil guarantee is reduced. The source of revenues for the state's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a state sales and use tax, a real estate transfer tax and a cigarette tax.

State School Aid appropriations and the payment schedule for State School Aid can be changed by the Legislature at any time. See "SOURCES OF PAYMENT AND SECURITY FOR THESE BONDS – State School Aid Revenues" and "RISK FACTORS" herein.

LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS

Additional Bonds Under the Indenture

The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Additional Bonds shall be of the same priority as the Bonds and all bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Bonds shall be issued unless the Academy provides a certificate to the Trustee confirm the aggregate annual debt service on the Bonds, other outstanding long term indebtedness of the Academy secured by State School Aid and any Additional Bonds proposed to be issued, does not exceed in any fiscal year of the Academy, 20% of the amount of the State School Aid projected to be payable to the Academy by the State in such fiscal year. For purposes of computing future projects of State School Aid, such certificate shall use the amount of State School Aid paid to the Academy for the Academy's most recently completed fiscal year. The issuance of Additional Bonds to purchase an additional municipal obligation of the Academy is also subject to the limitations set forth in the Academy Indenture with respect to the Academy's ability to issue such municipal obligation, as described below.

Limitation on Additional Bonds and Additional Indebtedness Under the 2005 Academy Indenture and the First Supplemental Indenture

Additional Bonds

In additional to the limitations under the Indenture described above, the 2005 Academy Indenture and the First Supplemental Indenture provide that additional bonds secured by and payable from the Trust Estate, which includes all property pledged, assigned and mortgaged to the Academy Trustee under both the 2005 Academy Indenture and the First Supplemental Indenture, may be issued in one or more series provided that the following terms and conditions have been met (with capitalized terms, for purposes of this section only, having the meanings ascribed to them in the First Supplemental Indenture):

(a) the Trustee has received a copy, duly certified by the Academy, of the resolution adopted by the Academy authorizing the issuance of such Additional Bonds and the execution and delivery of a supplemental indenture, supplementing and amending this Indenture, which supplemental indenture shall not require the approval of the Registered Owners of the Bonds Outstanding, providing the date, interest rates and maturities of such Additional Bonds, options and requirements for redemption prior to maturity with respect to such Additional Bonds, deposit of proceeds to the various funds and accounts, including the Debt Service Reserve Fund, and such other terms as may be required by reason of the foregoing and which adopts the applicable provisions of this Indenture;

(b) the Trustee and the Academy have received an opinion of counsel to the Academy in form and substance acceptable to the Trustee, the Academy and Bond Counsel;

(c) the Trustee has received a certificate of an Authorized Representative of the Academy to the effect that the Academy is not in default under the Indenture, is not aware of any Events of Default under this Indenture and that such indebtedness may be issued under this Indenture;

(d) the Trustee and the Academy have received an opinion of nationally recognized municipal bond counsel to the effect that (i) the issuance of such Additional Bonds will not affect adversely the exclusion from gross income for federal income tax purposes of interest on any Outstanding Bonds, and (ii) the Additional Bonds to be delivered will be valid and legal full faith and credit obligations of the Academy in accordance with their terms and will be secured hereunder equally and on a parity with all other Bonds at the time Outstanding hereunder as to the assignment to the Trustee of the Trust Estate;

(e) the Trustee has received original executed counterparts of the agreement supplementing and amending the Mortgage (if necessary), an agreement supplementing and amending the State Aid Pledge Agreement (if necessary), and the supplemental indenture supplementing and amending this Indenture;

(f) The Trustee has received a request and authorization to the Trustee on behalf of the Academy and signed by the Authorized Representative of the Academy to authenticate and deliver such Additional Bonds to the purchasers therein indentified, upon payment to the Trustee, but for the account of the Academy, of a sum specified in such request and authorization, plus accrued interest thereon, of any, to the date of delivery;

(g) the Trustee will receive from the proceeds of the Additional Bonds or otherwise on the date of delivery of the Additional Bonds an amount equal to the additional Debt Service Reserve Fund Requirement for deposit into the Debt Service Reserve Fund; and

(h) the Trustee and the Academy have received an executed opinion of nationally recognized municipal bond counsel to the effect that (i) the Additional Bonds have been duly authorized, executed and delivered and constitute the binding full faith and credit obligations of the Academy, enforceable in accordance with their terms, subject to normal bankruptcy exceptions, and (ii) the interest on such Additional Bonds is excluded from gross income for federal income tax purposes (unless it is intended that such interest be taxable).

Limitations on Incurrence of Additional Indebtedness

In addition to the limitations under the Indenture described above, the 2005 Academy Indenture and the First Supplemental Indenture preclude the Academy from incurring additional Indebtedness secured by Liens on the Facility or the Pledged Revenues that are senior to the Mortgage and the security interest in the Pledged Revenues granted by the Academy Indenture (with capitalized terms in this section having the meanings ascribed to them in the 2005 Academy Indenture). The Academy may incur other Indebtedness secured by the Mortgages on the Projects and the security interest in the Pledged Revenues granted by the 2005 Academy Indenture and the First Supplemental Indenture only upon providing to the Trustee a certificate of an Authorized Representative of the Academy, accompanied by a confirming certificate from the Academy's Accountant, to the effect that: (i) the foregoing requirements of the Indenture described above under "*Additional Bonds*" have been met, if applicable, and (ii) either:

(a) the combined Maximum Annual Debt Service for outstanding Long-Term Indebtedness and/or Capital Leases related to the Facilities and the Long-Term Indebtedness and/or Capital Leases related to the Facilities proposed to be incurred is equal to or less than 10% of the Pledged Revenues for the most recent School Year for which a budget has been adopted by the Board and submitted to the State and the Authorizer; or

(b) the pro forma Net Income Available for Debt Service for the most recent School Year for which a budget has been adopted by the Board and submitted to the State and the Authorizer must be sufficient to pay an amount representing not less than 120% of the combined Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness related to the Facilities and the Long-Term Indebtedness and/or Capital Leases related to the Facilities proposed to be incurred.

The above limitation in paragraph (b) is subject to the following: (i) in any School Year for which the current enrollment of the Academy is less than the enrollment in the previous School Year due to a facility lease expiring, then only the current School Year's enrollment, based upon the State's official student count days, will be used to determine pro forma Net Income Available for Debt Service, and (ii) the Academy may include in pro forma Net Income Available for Debt Service lease or sublease revenues projected to be received as evidenced by signed lease or sublease documents customary in commercial real estate transactions.

Indebtedness subordinate to the obligations of the Academy issued under the 2005 Academy Indenture and the First Supplemental Indenture, and liens on the Facility, Pledged Revenues or other assets of the Academy securing such subordinate indebtedness, are permitted so long as they are subordinate to the Mortgages and obligations issued under the Indenture.

The Academy will certify to the Authority that it has complied with the foregoing in connection with issuance of the Municipal Obligation being purchased by the Authority with proceeds of the Bonds.

Minimum Fund Balance / Net Asset Covenants

Pursuant to the 2005 Academy Indenture and the First Supplemental Indenture, the Academy has also covenanted so long as any Bonds (as defined therein) remain Outstanding, it will:

(a) maintain an unrestricted fund balance/net asset balance in its general fund which equals not less than an amount calculated as a percentage of Operating Expenses for the prior School Year as follows:

(i) such percentage shall be 5.0% for any School Year if, in the School Year immediately preceding such School Year, the total of the Combined Maximum Annual Requirements plus any similar lease-purchase or loan payment obligations of the Academy, excluding Short-Term Debt, were equal to or less than 10% of Pledged Revenues;

(ii) such percentage shall be 7.5% for any School Year if, in the School Year immediately preceding such School Year, the total of the Combined Maximum Annual Requirements plus any similar lease-purchase or loan payment obligations of the Academy, excluding Short-Term Debt, were greater than 10% but less than or equal to 15% of Pledged Revenues; and

(iii) such percentage shall be 10.0% for any School Year if, in the School Year immediately preceding such School Year, the total of the Combined Maximum Annual Requirements plus any similar lease-purchase or loan payment obligations of the Academy, excluding Short-Term Debt, were greater than 15% of Pledged Revenues; and

(b) maintain cumulative unrestricted fund balances and/or access to Short-Term Debt sufficient to meet all accrued and unrestricted salary obligations of the Academy.

Under the 2005 Academy Indenture and the First Supplemental Indenture, each of the covenants above is required to be tested as of June 30 of each School Year based upon the results of its annual audit. If on any testing date the Academy's minimum fund balance is below the required amount as per the formula described above, the Academy must retain on an annual basis a minimum of 50% of Excess Net Revenues until such time as the Academy is in compliance with the minimum fund balance requirement described above.

RISK FACTORS

This Official Statement contains summaries of pertinent portions of the Bonds and the Indenture. Such summaries and references are qualified in their entirety by reference to the full text of such documents. The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Public School Academies Generally

The operations of the Academy relate primarily to the ownership and operation of a public school academy located in Harper Woods, Michigan. Such operations are dependent on sufficient demand for such facilities, adequate revenues from enrollment at the facilities and control of expenses. The operation of a public school academy is highly regulated through the Charter, the Authorizing Body, and the Michigan Department of Education. A public school academy may not charge tuition to a student attending the academy. The failure of the Academy to meet the requirements of the regulations, termination, revocation or non-renewal of the Academy's Charter by the Saginaw Valley State University Board of Control, or its designee, or the inability to secure a charter from another authorizing body would have a material adverse effect on the ability of the Academy to make Academy Payments. See "RISK FACTORS – Revocation or Nonrenewal of Charter."

Sufficiency of Revenues

The Bonds are secured by and payable solely from revenues of the Academy pledged under the terms and conditions of the Indenture and as otherwise described therein. Based on present circumstances (i.e., its charter contract and operating history), the Academy believes it will generate sufficient revenues to meet its obligations under the Indenture. However, the Academy's charter may be terminated or not renewed, or the basis of the assumptions utilized by the Academy to formulate this belief may otherwise change and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

No Taxing Authority

The Academy is a Michigan public school academy and has no taxing power. The Academy does not possess the ability to assess ad valorem taxes now or in the future. As such, the Academy is completely dependent upon State School Aid revenues to pay the Academy Payments. Any event that would delay, reduce or eliminate State School Aid monies from the State would have a material adverse effect on the ability of the Academy to make Academy Payments coming due thereafter. See "RISK FACTORS" section, including "Revocation or Nonrenewal of Charter" and "Delay in, Reduction, or Termination of State School Aid" herein.

Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation

The Academy may not charge tuition and has no taxing authority. The primary source of revenue received by the Academy is the per pupil allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. The Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid Payments to the Academy is inadequate to allow the Academy to pay its operating expenses and debt service on the Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of monies from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

Delay in, Reduction, or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Bonds. The Michigan legislature is required to balance the budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the per pupil allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to school districts in order to eliminate the shortfall. In previous fiscal years, the State has applied across-the-board cuts to eliminate shortfalls which have resulted in a reduction of the Academy's per pupil foundation allowance. No representation can be made that future fiscal periods will not be subject to similar budget shortfalls. Any reduction in State School Aid payments could have a material adverse effect on the ability of the Academy to make Academy Payments coming due thereafter.

Changes in Law

The School Aid Act is subject to modification by the Michigan Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes.

Further, the Michigan Legislature has amended the charter school laws since they were first enacted in 1993. Future amendments to the law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Bonds, by withholding a percentage of the State School Aid payments if a charter school is deemed not to be in compliance with its charter or state and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a state body to make an assessment of each school's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facilities or programs which may cost more than has been projected, by revising the relative responsibilities between school districts and the State for financing schools (including charter schools) or by eliminating the authority for charter schools.

Limitation of Availability of State School Aid

No more than twenty percent (20%) of the State School Aid received by the Academy from the State in each fiscal year may be legally available to pay the Academy Payments and other long term Academy indebtedness secured by state school aid, which indebtedness presently includes the 2005 Academy Indebtedness.

Environmental Issues Regarding the 2008 Project and the 2005 Project

The 2008 Project and the 2005 Project (collectively, the "Projects") are subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the owner of the Projects for investigating and remediating adverse environmental conditions on or relating to the Projects, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Projects. Costs incurred by the Academy with respect to environmental liability could adversely impact its financial condition and its ability to operate its school facilities.

A Phase I Environmental Site Assessment was performed by Testing Engineers & Consultants, Inc. ("Testing") for the Academy on April 9, 2008 (the "2008 Phase I Report"). The 2008 Phase I Report identified three "Recognized Environmental Conditions" on or near the site of the 2008 Project and recommended further testing. A Phase II Environmental Site Assessment was subsequently performed by Testing for the Academy on June 27, 2008 (the "2008 Phase II Report"). The 2008 Phase II Report, which summarized six soil borings and the collection of soil/groundwater samples, and laboratory analysis of select samples to address the Recognized Environmental Conditions indicated that no target compounds were detected above MDEQ GRCC in any of the samples, that the site was not a "facility" as defined in Part 201 of Michigan Public Act 451 of 1994, as amended, and did not recommend that any further work be performed. The recommendations and conclusions of the 2008

Phase I Report and the 2008 Phase II Report are subject to the assumptions, qualifications and limitations contained in those reports.

Superior Environmental Corp., Wixom, Michigan ("Superior") performed a Phase I Environmental Site Assessment (the "2005 Assessment") of the facility and surrounding site that comprised the 2005 Project. The Assessment was undertaken to identify areas of potential environmental concern or evidence of chemical contamination within the limits of the Facility and site and/or as visually observed immediately adjacent to such property. In its report dated April 29, 2005 (the "2005 Report"), Superior stated that the 2005 Assessment revealed no "Recognized Environmental Conditions," which the 2005 Report defines to mean the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property, but is not intended to include *de minimis* conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies.

The 2005 Report stated that the 2005 Assessment revealed no Recognized Environmental Conditions in connection with the subject property. The 2005 Report also recommended that the current Asbestos Operations and Maintenance Plan of the Academy be updated with regard to any renovations, demolition, or changes in regard to utilization of the subject property in accordance with all federal and state regulations. The 2005 Report further stated that, due to the age of the 2005 Facility building, the building was likely to contain lead-based paint. The 2005 Report recommended that a lead based paint survey be conducted at the 2005 Facility given its proposed use as a charter school. A lead based paint survey was performed on June 29, 2005. The paint within the school was observed to be in very good condition. No peeling paint was observed. The report indicated that based on observations and test results, the paint was unlikely to be hazardous to students and faculty in its then present condition.

Economic and Other Factors

Future economic and other factors may adversely affect the Academy's revenues and expenses and, consequently, the Academy's ability to make debt service payments under the Indenture. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in the affected service area; diminution of the Academy's reputation in its field; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the Academy to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Michigan charter school statutes; future claims for accidents at the Academy's sites and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods.

Revocation or Non-Renewal of Charter

The Academy operates under a charter contract with SVSU. The charter contract provides the basis for the Academy to receive State School Aid payments. The Academy's charter contract is effective through June, 2012. The SVSU Board may unilaterally revoke the charter at any time for any reason identified in the charter. See "APPENDIX A – CHANDLER PARK ACADEMY – The Charter." The decision to revoke a charter contract is within the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. The charter contract may also be terminated by the Academy. In the event that the Academy's charter contract is revoked or terminated, the ability of the Academy to make debt service payments on the Bonds would be adversely affected and the Academy could be forced to cease operations.

IN THE EVENT THAT THE SVSU BOARD WERE TO REVOKE, TERMINATE, SUSPEND OR NOT RENEW THE ACADEMY'S CHARTER, OR IF THE ACADEMY WERE UNABLE TO SECURE ANOTHER AUTHORIZING BODY, THE ABILITY OF THE ACADEMY TO MAKE ACADEMY PAYMENTS UNDER THE FINANCING AGREEMENT AND THE INDENTURE COMING DUE THEREAFTER WOULD BE MATERIALLY ADVERSELY AFFECTED.

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Academy's charter is revoked; or (iii) the Academy's charter is not reissued by the Authorizing Body, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the state school aid fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of a public school academy debt secured by the property or interest in the property.

Limited Operating History; Reliance on Projections

The ability of the Academy to make debt service payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has conducted operations as a charter school since 1997. The projections of revenues and expenses contained in "APPENDIX A – CHANDLER PARK ACADEMY – Historical and Projected Revenue and Expenses," herein were prepared by the Academy and have not been independently reviewed or verified by any other party. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2008 through 2012, and consequently do not cover the entire period that the Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid payments, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary education competition and changes in local or general economic conditions. Refer to "APPENDIX A – CHANDLER PARK ACADEMY," to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Existing and Prospective Operations Generally

The revenues and expenses associated with the existing and prospective operations of the Academy will be affected by future events and conditions relating generally to, among other things, demand in the Academy's service area for educational services, the ability of the Academy to continue to provide the kinds of facilities and educational services desired or required by the student population, economic developments in the affected service area, competition from existing or future facilities and providers, the ability of the Academy to maintain high enrollment levels in the Projects and at its other campuses and the ability to continue to receive State School Aid sufficient for the payment of all related costs of operation.

No assurances can be given that the Academy will continue to have funds for the payment of amounts due under the Indenture, including the Academy Payments. Accordingly, the likelihood that there will be sufficient funds to pay the principal of, premium, if any, and interest on the Bonds is dependent upon certain factors which include, but are not limited to, (a) the continuing need of the Academy for the Projects, (b) the ability of the Academy to obtain funds (including State School Aid) to pay obligations associated with the Bonds, (c) the demographic conditions within the service area of the Academy, and (d) the value of the Projects and other assets of the Academy upon foreclosure sale under the Mortgages instituted by the Academy Trustee pursuant to the Academy Indenture and Mortgages and upon exercise of the remedies available under the Authority Indenture and the Academy Indenture.

Competition for Students

The Academy competes for students with other public school academies, traditional public school districts, and private schools. There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Bonds. Several public school academies, public schools and private schools are located in close proximity to the Academy. Refer to "APPENDIX A – CHANDLER PARK ACADEMY – Service Area and Competing Schools," for information regarding other schools in the Academy's service area and schools that compete with the Academy.

Factors Associated with Education

There are a number of factors affecting elementary and secondary school education in general, including the Academy, which could have an adverse effect on the Academy's financial position and its ability to make Academy Payments required under the Indenture. These factors include, but are not limited to, increasing costs of compliance with federal or state regulatory laws or regulations, including, without limitation, the No Child Left Behind Act of 2001; laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Academy's work force with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and legislation or regulations which may affect program funding. The Academy cannot assess or predict the ultimate effect of these factors on its operations or its ability to make the Academy Payments.

Compliance with the No Child Left Behind Act of 2001

In accordance with the Federal No Child Left Behind Act of 2001 ("NCLB"), the Michigan Department of Education identified public schools in the State of Michigan not making Adequate Yearly Progress ("AYP") in mathematics and/or English language arts. For information regarding the Academy's AYP status and its State School Improvement phase designation, see "APPENDIX A – CHANDLER PARK ACADEMY – Academic Performance."

The No Child Left Behind Act strengthens requirements for state assessments, accountability systems, and support for school improvement. The law also establishes minimum qualifications for teachers and paraprofessionals. Failure of the Academy to meet the requirements of NCLB may have a material adverse effect on the Academy and its ability to make Academy Payments.

Performance by Management Company

The Academy has entered into a consultancy services agreement with Varner for certain business and educational services (the "Management Agreement"). Organized in September of 2002, Varner currently provides services to two (2) public school academies in Michigan. No assurances can be made that Varner will continue to operate school facilities or remain financially able to perform its obligations under the Management Agreement. If Varner fails to perform its management duties properly, it could adversely affect the Academy's ability to attract students and could materially adversely affect its ability to generate sufficient revenues to make the Academy Payments. If Varner ceases to serve in its capacity, the Academy's ability to continue its operations would in large part be dependent upon the Academy's ability to operate, manage and maintain the Projects itself or to contract with another company competent to operate, manage, and maintain the Projects. Its failure to do so would materially adversely affect the Academy's ability to make the Academy Payments. The Management Agreement is on file with the Authority Trustee. See "APPENDIX A – CHANDLER PARK ACADEMY – Educational Service Provider."

Future Need for the Projects

Changes of economic, social or other conditions could affect demographics of the Academy and reduce the Academy's ability, need or willingness to utilize the Projects. The Academy is not legally prohibited from constructing additional facilities at any time. Changes in future needs may have an adverse effect upon the willingness and ability of the Academy to budget money to continue the Projects or make Academy Payments under the Indenture.

Collateral Insufficiency

In the event of a default under the Indenture, the indebtedness thereunder may be accelerated and Authority Trustee is entitled to request the Academy Trustee to foreclose on the Mortgages, subject to requirements of the 2005 Academy Indenture and the First Supplemental Indenture regarding direction of proceedings. See "APPENDIX E – Summary of Certain Provisions of the First Supplemental Indenture and the 2005 Academy Indenture."

A potential purchaser of the Bonds should not assume that it will be possible to obtain proceeds from the foreclosure of the Mortgages and the sale of the 2008 Project and the 2005 Project, for an amount equal to the aggregate principal amount of the Bonds then outstanding and other indebtedness of the Academy under the 2005 Academy Indenture (which indebtedness is secured on a parity basis with the Municipal Obligation by the Mortgages) plus accrued interest thereon. Such risks include environmental matters, fire and other casualty, condemnation, increased taxes, changes in demand for the facilities, decline in local and general economic conditions and changing governmental regulations. If the 2008 Project and/or the 2005 Project is sold pursuant to a foreclosure sale under the Mortgages (and there is no assurance that there would be any purchaser upon a foreclosure sale) for an amount less than the aggregate principal amount of and accrued interest on the indebtedness secured thereby, such partial payment may be the only payment to the Bondholders; upon such partial payment, no holder of any Bond shall have any further claim for payment from the Authority Trustee, other than claims arising from the Academy's general obligation pledge.

Inability to Liquidate or Delay in Liquidating the Projects

An event of default that has occurred and is continuing gives the Authority Trustee the right to require the Academy Trustee to take possession of, and the right to sell, the Projects pursuant to a foreclosure sale under the Mortgages. The Projects are intended to be used for the public school purposes of the Academy. Because of such use, a potential purchaser of the Bonds should not anticipate that a sale of the Projects could be accomplished rapidly, or at all. Any sale of the Projects would require compliance with the laws of the State of Michigan. Such compliance may be difficult, time-consuming and/or expensive. Any delays in the ability of the Academy Trustee to foreclose on the Mortgages would result in delays in the payment of the Bonds.

The Projects were specifically constructed for use as school facilities and may not be readily adaptable to other uses. As a result, in the event of a sale of the Projects, the number of uses that could be made of the property, and the number of entities that would be interested in purchasing the Projects, could be limited, and the sale price would be thus affected. The location of the Projects may also limit the number of potential purchasers. The ability of the Academy Trustee to sell the Projects to third parties, thereby liquidating the investment, would be limited as a result of the nature of the Projects. For these reasons no assurance can be made that the amount realized upon any sale of the Projects will be fully sufficient to pay and discharge the Bonds. In particular, there can be no representation that the cost of the property included in the Projects constitutes a realizable amount upon any forced sale thereof. In the event the Academy Trustee takes possession of the Projects, the Projects may be subject to real estate taxation.

Damage or Destruction of the Projects

The Indenture and the 2008 Academy Indenture each requires that the Academy's property be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of a risk. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain the required insurance policies.

Value of Property May Fluctuate

The value of the Projects at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Academy's property which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline.

Key Management

The creation of, and the philosophy of teaching in, public school academies such as the Academy may reflect the vision and commitment of a few key persons who are on the Board of Trustees and/or who make up the upper management of the Academy ("Key Members/Managers"). Loss of such Key Members/Managers could adversely affect the Academy's operations or financial results. It is anticipated that over time that public school academies will become less dependent upon the Key Members/Managers. However, there can be no assurance that this will occur.

Resale of Bonds/Lack of Secondary Market

There can be no assurance that there will be a secondary market for the Bonds.

Enforceability of Remedies; Bankruptcy

Remedies provided for in the Academy Indenture, the Mortgages, and the Indenture may be unenforceable as a result of the application of principles of equity or of state and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Academy Indenture, the Mortgages and the Indenture could prove both expensive and time consuming.

Bankruptcy proceedings by the Academy also could have adverse effects on holders of the Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the Academy after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The United States Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Bonds, such class of creditors will have the benefit of their original claim or the "indubitable equivalent" of it, although the plan may not provide for payment in full of the Bonds. The effect of these and other provisions of the United States Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretation.

Determination of Taxability

If a Determination of Taxability (as defined in the Indenture) were to occur, the Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, on the earliest practicable date for which notice can be given following such determination. No assurance can be made that under these circumstances, the Academy would possess the ability to make the required payments.

Factors Associated with the Academy's Operations

There are a number of factors affecting schools in general that could have an adverse effect on the Academy's financial position and ability to make the debt service payments required under the Indenture. These factors include, but are not limited to, increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of the Academy's workforce with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and disruption of the Academy's operations by real or perceived threats against the school, its staff members or students. The Academy cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations or on its ability to make debt service payments with respect to the Bonds.

TAX MATTERS

General

In the opinion of the Attorney General of the State of Michigan and in the opinion of Lewis & Munday, A Professional Corporation, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Issuer and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Issuer, has covenanted in the Indenture to comply with all such requirements. Bond Counsel and the Attorney General will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) holders acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code, (viii) interest on the Bonds is subject to backup withholding under Section 3406 of the Code in the case of registered owners that have not reported a taxpayer identification number and are not otherwise exempt from backup withholding, and (ix) registered owners of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Bonds.

In addition, in the opinion of the Attorney General of the State of Michigan and in the opinion of Lewis & Munday, A Professional Corporation, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals that could cause the interest on the Bonds to be subject directly or indirectly to federal or State of Michigan income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent the registered owners from realizing the full current benefit of the status of the interest thereon.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE AUDIT PROCESS OR RESULT OF ANY EXAMINATION OF THE BONDS OR OTHER BONDS THAT PRESENT SIMILAR TAX ISSUES, WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

Other Federal Tax Matters

Other than the matters specifically referred to above, Bond Counsel expresses and will express no opinion regarding the federal, state, local or other tax consequences of the purchase, ownership and disposition of the Bonds. Prospective purchasers of the Bonds should be aware, however that the Code contains numerous provisions under which receipt of interest on the Bonds may have adverse federal tax consequences for certain taxpayers. The following is a general description of some of these consequences, but is not intended to be complete or exhaustive, and investors should consult their tax advisors with respect to these matters. For federal income tax purposes: (a) tax-exempt interest, including interest on the Bonds, is included in the calculation of modified adjusted gross income required to determine the taxability of social security or railroad retirement benefits; (b) the receipt of tax-exempt interest, including interest on the Bonds, by life insurance companies may affect the federal income tax liabilities of such companies; (c) the amount of certain loss deductions otherwise allowable to property and casualty insurance companies will be reduced (in certain instanced below zero) by 15% of, among other things, tax-exempt interest, including interest on the Bonds; (d) interest incurred or continued to purchase or carry the Bonds may not be deducted in determining federal income tax; (e) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds; (f) interest on tax-exempt bonds, such as the Bonds, will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States; and (g) passive investment income, including interest on tax-exempt bonds such as the Bonds, may be subject to federal income taxation for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR PURCHASE, OWNERSHIP OR DISPOSITION OF BONDS.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds will be passed upon by Bond Counsel and the Attorney General of the State of Michigan. Copies of the approving opinion of Bond Counsel and of the Attorney General will be available at the time of the delivery of the Bonds. Certain legal matters will be passed upon for the Academy by Dickinson Wright PLLC, Bloomfield Hills, Michigan, and by Dykema Gossett PLLC, Lansing, Michigan in its capacity as counsel to the Underwriter.

UNDERWRITING

The Bonds are being purchased by the Underwriter pursuant to a bond purchase agreement at prices which, if the Bonds are sold at the prices and yields shown on the inside cover page, will result in Underwriter's compensation of $139,672.50. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the bond purchase agreement. The bond purchase agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers, banks and others at prices lower that the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter. Neither the Attorney General nor Dykema Gossett PLLC will express any opinion concerning the investment quality of the Bonds, or the accuracy, completeness or sufficiency of any offering material relative to the Bonds.

LITIGATION

There is no litigation of any nature pending or threatened against the Academy to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds or the application of the proceeds thereof toward the costs of the Project, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Bonds or the existence or powers of the Academy.

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Financing Agreement or the Indenture or would have a material adverse impact on the financial position of the Academy.

CONTINUING DISCLOSURE

The Academy will execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), with respect to the Bonds. The Continuing Disclosure Agreement is made for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Continuing Disclosure Rule"). See "APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, annually to designated information repositories certain quantitative financial information and operating data of the type specified in the Continuing Disclosure Agreement (the "Annual Report"); and to provide in a timely manner to designated information repositories notice of the occurrence of certain events, if material (within the meaning of the Continuing Disclosure Rule), and of any failure to provide the Annual Report when due. The Continuing Disclosure Agreement does not require that information be provided to registered owners or Beneficial Owners of the Bonds, but rather requires only that such information be provided to certain information repositories. The Academy has never failed to comply in all material respects with any previous undertaking with regard to the Rule to provide financial information and data, operating data or material events.

BONDS NOT A DEBT OF STATE

The Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Issuer, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Bonds under the Indenture will not directly, indirectly or contingently obligate the State of Michigan, the Issuer, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Issuer has no taxing power.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Bonds, in the State of Michigan, are securities in which all insurance companies, banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

RATING

The Bonds have been assigned a rating of "BBB" by Standard and Poor's Ratings Services ("S&P"). Such rating reflects only the views of S&P, at the time such rating was given, and the Authority makes no representation as to the appropriateness of the rating. Any explanation of the significance of the rating may be obtained only from S&P. The Academy furnished to S&P information and materials relating to the Bonds and itself, certain of which information and materials have not been included herein. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn. Revision, qualification or withdrawal of the rating can be expected to have an adverse affect on the market price of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Academy, as of and for the year ended June 30, 2005, June 30, 2006 and June 30, 2007, included in this Official Statement have been audited by Croskey, Lanni & Company, P.C., to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of Croskey, Lanni & Company, P.C., which has not been asked to undertake any additional review in connection with the preparation of this Official Statement. The Academy is not aware of any facts that would make the audited financial statements misleading.

MISCELLANEOUS

The Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and the offer, sale and delivery of the Bonds does not require registration under the 1933 Act or qualification of the Indenture under the Trust Indenture Act of 1939. The Academy has agreed that, during the course of the transaction and prior to the sale of the Bonds, potential investors may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that potential investors may obtain from it any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable effort or expense. Any request for information may be directed to the Underwriter.

The Academy has furnished the information herein relating to itself. The Issuer has furnished the information herein relating to itself. The Underwriter has furnished the information in this Official Statement with respect to the offering prices of the Bonds and the information under the caption "UNDERWRITING."

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Official Statement shall not be construed as constituting an agreement with purchasers of the Bonds. The cover page, introductory statement and the attached Appendices are part of this Official Statement. All information contained in this Official Statement, including the Appendices, is subject to change and/or correction without notice and neither the delivery of this Official Statement nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.

APPENDIX A

CHANDLER PARK ACADEMY

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APPENDIX A

CHANDLER PARK ACADEMY

General

Chandler Park Academy (the "Academy") is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code, Michigan Compiled Laws ("M.C.L.") § 380.501 *et. seq*. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 *et. seq*. The Academy was incorporated on May 30, 1997. The Academy currently provides public education for grades K through 9 and is authorized to provide public education for grades K through 12. The Academy primarily teaches students residing in the City of Detroit, the majority of whom are minorities. The Academy's mission is to deliver academic excellence, character development and leadership for the urban child, to benefit from a culturally and academically enriched K through 12 college preparatory education.

The Academy obtained its charter from Saginaw Valley State University (the "University") on May 2, 1997. The Charter has been renewed twice and currently expires on June 30, 2012. There were 1634 students enrolled at the Academy for the 2007-08 school year. For more information on the Academy's enrollment, see "Enrollment" below.

The proceeds of the Bonds will be used for the following purposes: (i) to acquire and improve an existing school facility, formerly Regina High School, located at 20200 Kelly Road, Harper Woods, Michigan (the "Facility"); (ii) to fund a debt service reserve fund; and (iii) to pay certain costs associated with the issuance of the Bonds (collectively, the "Project"). The majority of the proceeds of the Bonds will be used to acquire the Facility. The remaining portion (less the amount paid into the Debt Service Reserve Fund, and less the amount used to pay Costs of Issuance) will be used to pay the cost of various minor improvements with respect to the Facility, generally of a cosmetic nature.

The Academy currently operates from two campus locations:

(i) Chandler Park Academy–20200 Kelly Road, Harper Woods, Michigan, consisting of the Facility described below; and

(ii) Chandler Park Academy–20100 Kelly Road, Harper Woods, Michigan, property that was purchased on August 9, 2005, consisting of a 15 acre site with athletic fields and a 76,000 square-foot facility with 23 classrooms, 2 special education classrooms, a library, kitchen/cafeteria, gymnasium, administrative offices and a storage building and concession stand.

The Academy will use the proceeds of the Bonds to acquire a 10 acre site with a 123,000 square-foot facility with 43 classrooms, special education classrooms, a library, kitchen/cafeteria, gymnasium, auditorium, administrative offices, and a storage building. The Facility was leased by Chandler Park Academy for the 2007-08 school year from the Sisters of St. Joseph Third Order of St. Francis, who operated it as Regina High School, and is located at 20200 Kelly Road, Harper Woods, Michigan. The acquisition of the site and Facility will allow the Academy to create a K-12 campus on adjoining properties. The Academy believes that the acquisition will result in more efficient building management and easier transition of students from grade to grade. As a result, the Academy had a significant increase in enrollment for the 2007-08 academic year and projects continued enrollment at the current level. See "Enrollment" below.

Public school academies are considered local school districts for the purposes of state and federal funding, including the No Child Left Behind Act, and are subject to the leadership and general supervision of the State Board of Education. The establishment and organization of public school academies is governed by statute, specifically Part 6A of the Revised School Code of the Michigan Compiled Laws. Public school academies provide competition for traditional public schools. Public school academies are organized and administered under the direction of a board of directors, and must be granted a contract governing their establishment and operation by an authorizing body identified by the state, including any state university, community college, intermediate school district, or local school district. Public school academies provide parents and students with educational choice because public school academies are not limited geographically in the way traditional school district schools are; hence public school academy students may reside anywhere within the State. Public school academies were created to encourage innovative teaching solutions and management structures. Because they are public schools, academies are not allowed to charge tuition for providing educational services and may not discriminate in pupil admissions on any basis. One key difference between public schools and public school academies is that public school academies may identify a maximum enrollment number. If the academy receives more applications than seats available, by law the academy must hold a lottery for enrollment.

The Charter

The charter contract establishing the Academy (the "Charter") was entered into on May 2, 1997 by the Academy and the University Board of Control, pursuant to the Michigan Revised School Code (Part 6A, M.C.L. § 380.501 *et. seq*.). The initial Charter was for a five-year term through June 30, 2002. On December 14, 2001, the Charter was extended for an additional five-year period, expiring June 30, 2007. On June 13, 2007, the Charter was extended for an additional five-year period, expiring June 30, 2012.

To obtain its Charter, the Academy had to meet the requirements of Michigan's charter school laws, which required the Academy to file a written application to the University requesting that the Academy be established and to negotiate the Charter with the University. The University is responsible for overseeing the Academy to assist the Academy in complying with its Charter and other applicable state and federal laws. The University receives 3% of the Academy's state aid funds for providing oversight.

The University may unilaterally revoke the Charter at any time upon the occurrence of an event of default under the Charter or as prescribed by Michigan's charter school laws. As described in greater detail below, pursuant to the Charter, the Charter may be revoked for a number of reasons.

The decision to renew or revoke the Charter is at the full discretion of the University Board of Control, is final, and is not subject to review by a court or any state agency.

Under the terms and conditions of the Charter, the Charter may be revoked by the University Board of Control (the "University Board") upon a determination by the University Board that one or more of the following statutory grounds for revocation has occurred:

a) Failure of the Academy to abide by and meet the educational goals set forth in the Charter;
b) Failure of the Academy to comply with all state and federal law applicable to public school academies ("Applicable Law");
c) Failure of the Academy to meet generally accepted public sector accounting principles; or
d) The existence of one or more other grounds for revocation as specified in the Charter.

In addition to the statutory grounds for revocation set forth above, the University Board may also revoke the Charter, upon a determination by the University Board that one or more of the following has occurred:

a) The Academy is insolvent, has been adjudged bankrupt;
b) The Academy has insufficient enrollment to operate a public school academy and/or enrollment falls below twenty five (25) students;
c) The Academy defaults in any of the terms, conditions, or promises or representations contained in or incorporated into the Charter;
d) The Academy files amendments to its Articles of Incorporation with the Michigan Department of Labor and Economic Growth, Bureau of Commercial Services without first obtaining University Board approval;
e) The University President discovers grossly negligent, fraudulent or criminal conduct by the Academy's applicant(s), directors, officers, employees or agents in relation to their performance under the Charter;
f) The Academy's applicant(s), directors, officers, employees or agents have provided false or misleading information or documentation to the University in performance of the Charter;

g) Failure of the Academy to pay for services provided to the Academy by a nonauthorizing local or intermediate school district if the Academy requested and contracted for the services;

h) The Academy acts in any way that is inconsistent with the University's responsibility to oversee the Academy's compliance with contract and all other applicable law; or

i) Failure by the Academy to fulfill any insurance obligation under the Charter, including any failure to increase its insurance coverage or purchase additional insurance if so requested by the University.

The University Board may revoke the Charter at any time for any reason identified in the Charter or any reason consistent with the University's responsibility to over the Academy's compliance with the Charter and applicable law. The revocation of the contract shall be effective as of a date determined by the University, but in no event later than 15 days after the revocation by the University Board.

The Academy Board may also request termination of the Charter.

Program of Study

The Academy's instructional methodology challenges children to strive for their personal best in learning. Moreover, the Academy strives to help children connect what they learn, and not treat subjects as isolated. The Academy uses Harcourt Brace Publishers textbooks that are aligned with its curriculum. Specific programs focusing on instruction are as follows:

- The Academy's curriculum (Saginaw Valley State University Curriculum ("SVSU Curriculum")) is aligned to the Michigan Curriculum Framework (i.e., the SVSU Curriculum implemented at the Academy applies the general Michigan Curriculum Framework on a grade-by-grade level at the Academy) in four principal academic content areas: reading, mathematics, science and social studies. The SVSU curriculum uses prepared lessons and employs three sets of standards: content standards, teaching and learning standards, and assessment standards.

- The Academy requires students in grade 3-9 to take the Michigan Educational Assessment Program ("MEAP"). The Academy further measures academic results through the use of portfolio assessments, quarterly report cards, classroom assessment results and teacher record books. The Academy uses resulting test data to write short and long-term curriculum plans meant to reach curriculum benchmarks with respect to each content area.

- The Academy has engaged a curriculum coach who assists and monitors the instruction of the curriculum. The classroom assessment results, peer coach (teachers modeling for teachers), and monitoring by the curriculum coach are used to determine whether the curriculum is being taught as written.

- Professional development is crucial to the Academy's continuous improvement for teachers. Professional development activities involve all staff, and topics include research-based best practice presentations.

- The Academy's reading program focuses on reading across the curriculum with an emphasis on the use of trade books along with immersion reading, use of higher order questioning / thinking skills, and explicit instruction in vocabulary, phonics, and response to literature questions.

- The Academy's writing program emphasizes instruction in penmanship and the writing process in the development of writing organization for the mastery of writing conventions, development of ideas, content, and personal voice, improvement of sentence fluency, and accurate and expressive word choice.

- The Academy's math and science program requires regular and challenging hands-on experimentation, real-life application, and specificity of content to be taught.

- The Academy's developing technology program underscores everyday accessibility and use of technology with integration in everyday instruction. The use of technology throughout the curriculum includes research, writing, reporting, academic practice, enrichment, illustration, construction, graphing, and communication.

- The Academy's social studies curriculum stresses interest and knowledge of self, community, history, geography, government, citizenship and the law for the larger purpose of establishing a knowledgeable and participatory citizenry. Classroom discussions focus on teacher to student and student to student interaction.

- The Academy's art, music, Spanish, and physical education instruction, as in all areas, is intended to expand personal capabilities and develop cultural knowledge that will encourage students to be enthusiastic, life-long participants in personal development and learning.

The Academy's sports program includes boys' and girls' flag football, basketball, volleyball, track and field, cheerleading, and "Olympic" games. The extracurricular clubs focus on student interests such as science, math, foreign language (French/Spanish), yearbook, and computer. The school offers students an opportunity to participate in student council, choir, youth government, digital photography, videography, and scrapbooking. Every effort is made to provide a well-rounded education for urban students with the goal of preparing them with the skills to successfully meet the rigors of high school and college.

Board of Directors

The Academy is a Michigan non-profit corporation operating in accordance with its Articles of Incorporation, Bylaws, and the Charter entered into with the University. Pursuant to state law, the University is responsible for overseeing the Academy's operations. The Academy is governed by a seven-member Board of Directors (the "Board") which is responsible for making policy and business decisions related to school operations.

The Academy's Board makes policy and business decisions related to school operations. The University's Board of Control policies mandate that the Academy's Board consist of not fewer than five persons who are to be selected on the basis of their commitment to, and interest and experience in, public education. Board members serve three-year terms. When a vacancy occurs, the remaining Board members nominate a list of potential members equaling at least twice the number of vacancies to the University. The University Board of Control must approve appointments to the Board and it reserves the right to unilaterally remove any person from the Board for cause. Officers are elected from among the Board members annually. The Board is currently comprised of seven members. Brief biographical information pertaining to each Board member is provided below.

Charles E. Arnold, Jr. – President

Charles E. Arnold, Jr. currently serves as President of the Board; he has served on the Board since 1997. In that capacity, Mr. Arnold participates in the development of policies which govern the Academy, and reviews their implementation. In concert with other Board members, he evaluates student progress, monitors the Academy's contract with Varner and Associates International L.L.C., the Academy's educational service provider, assists with the preparation and adoption of the Academy's annual budget, helps ensure compliance with all regulatory requirements and executes contracts or other legal documents at the direction of the Board. Mr. Arnold is presently retired. Previously he was employed by commercial banks in Detroit for thirty years – originally with Bank of the Commonwealth, and later with National City Bank, where he retired as Group Vice President. Mr. Arnold has been involved in various civic and community organizations, including United Community Services, Greater Detroit BIDCO, Oakland Housing and the Detroit Medical Center. Mr. Arnold received a bachelors degree from Wayne State University and has completed multiple certificate programs in banking.

Dr. Anthony J. Shipley – Vice President

Dr. Anthony J. Shipley, the founder of the Academy, currently serves as Vice President of the Board;he has served on the Board since 1997. Dr. Shipley is also the senior pastor of Christ United Methodist Church in Detroit. His volunteer services are numerous and include Adrian College (Board of Trustees), U-Snap Bac Housing Corporation (Chairman), the Aspires College Bound Program (Founder), Detroit Economic Club, Urban League (Board member 1983-89), Goodwill Industries (Board member 1986-91), and D.A.C. United Methodist Foundation (Chairman, 2004). Dr. Shipley is listed in Who's Who of Black America and received a citation from the State of Michigan House of Representatives and Senate. He was also named alumni of the year and has an endowed scholarship at his alma mater Garrett Theological Seminary. Dr. Shipley received a masters degree in Divinity from Northwestern University and was awarded a fellowship from Harvard University.

Scott E. Boswell – Secretary

Scott E. Boswell currently serves as Secretary of the Board; he has served on the Board since 2004. Mr. Boswell is also an investigator for the Michigan Department of Community Health. Prior to that, he worked as a parole agent and a youth treatment specialist. Scott Boswell has numerous civic and community involvements: he was recently awarded the Detroit Public Schools "Shining Star" Award, and was nominated for the Governor's Service Award. Mr. Boswell participates in professional and community organizations such as the NAACP, the National Black Police Association, and Men in Action (Southwest District coordinator). Mr. Boswell received his bachelor of science degree from Eastern Michigan University.

Sheldon Johnson – Treasurer

Sheldon Johnson currently serves as Treasurer of the Board: he has served on the Board since 1998. Mr. Johnson is presently employed as a Technical Consultant for Forming Technologies Incorporated, a primary trainer for engineering classes with respect to stamping operations at DaimlerChrysler. Previously, Mr. Johnson worked as a Manufacturing Engineer at DaimlerChrysler. In that capacity he was the administrator for the Dodge Ram 2003 Truck program, where he was responsible for all aspects of sheet metal stamping for the launch of the vehicle at three plants and in two countries. Mr. Johnson is a Retired Colonel, United States Army Field Artillery, with 30 years commissioned service in the Active Army, Army National Guard and Army Reserve. Mr. Johnson's civic and community involvements include serving as Treasurer of Faith Lutheran Church for the last eleven years. Mr. Johnson received his bachelor of arts degree from Spring Arbor University.

Shirley A. Jackson - Member

Shirley A. Jackson has served as a member of the Board of the Academy since February of 2005. Along with other members of the board, Ms. Jackson bears responsibility for the appointment and oversight of the school management team, assists in establishing the policies under which the Academy is operated and helps chart the financial direction of the Academy. Ms. Jackson is a career educator. In 2002, Ms. Jackson retired from the Southfield Public Schools, where she served as principal of Dwight D. Eisenhower Elementary School. Previously, Ms. Jackson held various administrative positions at elementary and middle schools in the Detroit area. During her tenure as principal at Carl T. Rowan Community Elementary School, that school was a three-time recipient of the Michigan Department of Education Golden Apple Award for significant increases in student achievement. Before serving in school administration, Ms. Jackson worked as a teacher of mathematics and science at several elementary and middle schools within the School District of the City of Detroit. In that capacity, she received recognition as a finalist for Michigan Teacher of the Year (1988). Ms. Jackson received her bachelors and masters degrees in Education from Wayne State University.

Marie Inniss - Member

Marie Inniss has served as a member of the Board of the Academy since 1998. Ms. Inniss serves as an Assistant Dean at Wayne State University Law School, and is a member of the State Bar of Michigan. Before that, she was director of client relations and practice development at a Detroit law firm, and was a Program Director at a non-profit housing corporation. Before attending law school, Ms. Inniss taught elementary school in Detroit and Ann Arbor, Michigan and in Oak Harbor, Washington. Ms. Inniss received her bachelor of arts degree from Clark University, Worcester, Massachusetts, and her law degree from Wayne State University Law School.

Phares A. Noel II - Member

Phares A. Noel II has served as a member of the Board of the Academy since 2001. Mr. Noel currently holds the position of Platform Executive - Premium Vehicle, of the Advance Manufacturing Engineering Division of the North American Business Group of Chrysler. Mr. Noel also serves as an academic advisor for curriculum development for Wayne County Community College, and has taught several classes as an adjunct professor in their Electrical Engineering Department. In addition, he is also certified as an adjunct professor in the school of Electrical Engineering at Wayne State University in Detroit, Michigan. Mr. Noel holds a bachelors Degree in Electrical Engineering and a masters degree in Computer Engineering from Wayne State University, along with an MBA from the University Of Detroit Mercy. Mr. Noel has also completed course work towards a Ph.D. in Computer Engineering from Wayne State University, and is a member of the Gamma Beta Sigma Business School National Honor Society.

Management Agreement

On September 1, 2003, the Academy entered into a three-year agreement with Varner and Associates International L.L.C. ("Varner and Associates"), an education services provider for the Academy. On July 1 , 2006, the Management Agreement was extended for an additional three-year period, expiring June 30, 2009. Varner and Associates was organized in September of 2002. Its mission is to provide comprehensive management services for urban charter schools serving at-risk students. Its corporate headquarters is located in Lathrup Village, Michigan.

Under the terms of the agreement, Varner and Associates provides: (a) employees, materials and supervision necessary for the provision of educational services at the Academy, and (b) management, coordination and maintenance of the Academy, in accordance with certain criteria, including: (i) the Academy's educational goals, (ii) curriculum, (iii) methods of pupil assessment, (iv) admissions policy and criteria, (v) school calendar and school day schedule, (vi) age and grade range of children to be enrolled, and (vii) methods to be used to monitor compliance with performance of targeted educational outcomes, all as adopted by the Board. Pursuant to its contract with the Academy, Varner and Associates is specifically responsible for:

- Implementation and administration of the Educational Program of the Academy, including administration of any and all extra-curricular and co-curricular activities and programs;

- Selection and acquisition of instructional materials, equipment and supplies;

- Hiring, management and supervision of all personnel, including provision of professional development for all instructional personnel and the personnel functions outlined in the management agreement; and

- Operation and maintenance of the Academy's school buildings pertaining thereto, and the installation of technology integral to the school design.

Under the terms of the management agreement, Varner and Associates is paid as compensation for its services, an annual management fee equal to 10% of the Academy's revenue from State sources, but excluding revenue from local and federal sources, subject to a minimum of $1,241,023.00 and a maximum of $2,482,046.

The day-to-day operations of the Academy are managed by the Chief Executive Officer and Chief Operating Officer of Varner and Associates. Brief biographical information for each is presented below.

Dr. Wilhelmina S. Hall – Chief Executive Officer, Varner and Associates

Dr. Wilhelmina S. Hall is the Chief Executive Officer of Varner and Associates. In that capacity, Dr. Hall is responsible for staffing, curriculum development, development of educational programs, teacher training, and marketing with respect to the Academy. Dr. Hall founded Varner and Associates in February of 2002. Prior to that, she was the Superintendent and Chief Academic Officer for Charter Schools Administration Services. There, she was directly responsible for managing the employees of 20 charter school clients of the company, representing approximately 8,000 students. She assisted in authoring the charter applications of 16 of those charter schools, and assisted with implementation of curriculum planning, instructional programs, human resources, strategic planning and professional development training. Previously, Dr. Hall served as the Interim Superintendent of the River Rouge School District. Before that, she served as Program Supervisor, Comer Schools and Family Initiative, Detroit Public Schools. Dr. Hall has more than 32 years of experience serving as a teacher and elementary principal in Detroit Public Schools. Newberry Elementary School, where she served as principal, received the "America's Best Redbook School for Overall Excellence" designation. Dr. Hall received her bachelor of science degree in Education from Wayne State University, her Masters of Education from the University of Detroit, and her Ph.D in Educational Administration from Wayne State University.

Burnis Hall – Chief Operating Officer, Varner and Associates

Burnis Hall is the Chief Operating Officer of Varner and Associates. Dr. Hall is responsible for overall business operations with respect to the Academy including budgeting, financial forecasts, and facility operations and maintenance. He has also led the negotiations, due diligence efforts, and renovation discussions for the lease and acquisition of the Facility. Previously, Dr. Hall served as the Director of the Technical Support Consortium, Schools of the 21st century, a five-year, $60 million research project designed to reform selective Detroit Public Schools. Prior to that, Dr. Hall was a faculty member in the College of Education, Wayne State University, for more than 30 years. For nine of those years, Dr. Hall served as Assistant Dean of the largest graduate program in the College of Education, the Division of Administrative and Organizational Studies. Dr. Hall's teachings and writings have focused on school reform and developing outstanding leaders for urban schools. He was the Chair of the Advisory Board and involved the development, planning and implementation of Wayne State University's charter school, the first charter school in the State. Dr. Hall also served as a school board member for Southfield Public Schools. Dr. Hall received his bachelor of science and masters in Education degrees from Memphis State University, and his Ed.D from the University of Tennessee.

Administrators

Listed below are key administrators of the Academy, along with brief biographical administration pertaining to each.

Brenda Clavon – Executive Director of Curriculum

Brenda Clavon is the Executive Director of Curriculum of the Academy. In that capacity, she is responsible for the development and implementation of the Academy's curriculum. Before joining the Academy, she assisted Oak Park and River Rouge School Districts in the development of plans to ensure that students will be successful on the State of Michigan Assessment Program (MEAP) examinations. Previously, she was a cohort leader for the Limited License to Instruct Program at Wayne State University in conjunction with the Detroit Public Schools. Before that, she worked as a teacher, Title I Coordinator, assistant principal and principal in the Detroit Public Schools for over 39 years. Ms. Clavon is the Founder and President of Heather Clavon Educational Services, which strives to ensure that all students receive an education and that they are prepared to compete globally in the 21st century. Ms. Clavon received her bachelors degree from Eastern Michigan University and her masters degree in Teaching from Oakland University.

Dorothy Ann Covington – Executive District Office Manager

Dorothy Ann Covington is the District Office Manager of the Academy. In that capacity, she is responsible for managing enrollment and maintaining student data as it relates to pupil accounting, and reports compliance and statistical data for federal, state, local and audit matters. She collaborates with educational entities such as the Michigan Department of Education and Wayne Regional Educational Service Agency (WRESA). Ms. Covington also serves as a reading and math tutor at the Academy, as well as at Greater Mt. Carmel Church. Prior to working for the Academy, Ms. Covington was employed as an Instructional Designer and Professional Trainer for Blue Cross Blue Shield of Michigan. Ms. Covington received her bachelor of arts degree in Business Management from Davenport University and holds a certification in grant writing.

Vivian R. Jackson – Principal

Vivian R. Jackson is the Principal at Chandler Park Academy. As Principal, Ms. Jackson is responsible for the supervision of all staff and students, curriculum development, standardized testing programs, disciplinary actions and collaborating with parents and staff regarding student activities. She also supervises disbursement of the school budget and facilitate procurement and distribution of school supplies. Ms. Jackson began working for the Academy in 2003 as a Technical Educational Support Consultant. Prior to working for the Academy, she worked for the Detroit Public School District for over 30 years as an elementary teacher, Title I School Program Director, and as an Administrator. Mrs. Jackson received a bachelor of science degree in Elementary Education from Wayne State University, and a master of arts degree from the University of Detroit Mercy in Early Childhood Education. She also holds a Permanent Teaching Certificate from the State of Michigan.

Kenneth D. Williams – Assistant Principal (Chandler Park Academy – Middle/High)

Kenneth D. Williams is one of two Assistant Principals at Chandler Park Academy – Middle/High. In this capacity, he is responsible for creating a safe and orderly environment focusing on student achievement and parental involvement while maintaining high standards. Before becoming an assistant principal at the Academy, Mr. Williams served as a 6th, 7th, and 8th grade Social Studies teacher and substitute administrator. Previously, he worked seven years in management for Enterprise Rent-A-Car. Mr. Williams has Bachelors of Science in Public Administration & Business Management and a secondary Social Studies Certification from the University of Detroit Mercy. Currently, Mr. Williams is seeking a dual Masters in Curriculum and Instruction and Education Administration at the University of Detroit Mercy.

Yvonne Wilson – Assistant Principal (Chandler Park Academy – Middle/High)

Yvonne Wilson is a middle/high school Assistant Principal at Chandler Park Academy – Middle/High. She is responsible for monitoring student academic and social progress. Ms. Wilson creates a positive and supportive school environment while developing goals that focus on raising student achievement. Prior to her tenure at Chandler Park Academy, Ms. Wilson was a first grade teacher and Assistant Director at Open Door Academy. She is the Founder of the Pink Lady Bugs, a mentoring and etiquette program for girls housed in foster care. She has previously assisted two Detroit City Council members in developing programs and tutoring services for underprivileged students. Ms. Wilson's bachelors and masters degrees were received from Wayne State University and she is currently pursuing an additional masters degree in Educational Leadership from Central Michigan University.

Darah Griffin – Assistant Principal (Chandler Park Academy – Elementary)

Darah Griffin is one of two Assistant Principal at Chandler Park Academy – Elementary. As Assistant Principal, Ms. Griffin is responsible for the supervision of all staff and students, disciplinary actions and collaborating with parents and staff regarding student activities. Ms. Griffin began working for the Academy in 2002, as a teacher. Prior to working at the Academy, Ms. Griffin taught for two years with the Killeen Independent School District, and previously was employed for eight years with the Student Loan Marketing Association (Sallie Mae) in Killeen, Texas. Ms. Griffin received a bachelor of arts degree in Business Administration from Marygrove

College. She also holds a Texas Vocational Teaching Certificate, and is currently pursuing her Michigan Certification from Saginaw Valley State University.

Gail Foster-Dorsey – Assistant Principal (Chandler Park Academy – Elementary)

Gail Foster-Dorsey is one of two Assistant Principal at Chandler Park Academy – Elementary. Mrs. Foster-Dorsey began working for the Academy in 2003. As the Elementary Assistant Principal, Mrs. Foster-Dorsey is responsible for observing, monitoring, supporting and mentoring the staff, as well as, facilitating programs that involve the elementary children. Mrs. Foster-Dorsey maintains an optimistic atmosphere in the building for all students and cohorts and maintains a positive relationship with parents and other co-assistant principals. Mrs. Foster-Dorsey received her Master's degree in General Classroom Teaching from Michigan State University. Prior to working for the Academy, Mrs. Foster-Dorsey taught 13 years in the Bloomfield Hills Public School District and served in the educational arena for 30 years.

Other Employees

Currently, the Academy employs 66 full-time teachers, 13 paraprofessionals, 6 school administrators (1 district office administrator, 1 principal and 4 assistant principals), 2 office managers, 1 counselor, 1 social worker, 1 curriculum coach, and 6 technical academic support staff members.

The following table sets forth student-faculty ratios at the Academy on a grade-by-grade level for the current schoolyear and projected for the 2005-06 school year. The Academy expects to retain a student faculty ration of approximately 25:1 at all grade levels upon consolidation into one campus Facility as part of the Project.

Table 1
Student / Faculty Ratios

Grade	2006-07	2007-08
K	25:1	25:1
1	25:1	25:1
2	25:1	25:1
3	25:1	25:1
4	25:1	25:1
5	25:1	25:1
6	25:1	25:1
7	25:1	25:1
8	25:1	25:1
9	N/A	25:1

Source: the Academy.

Enrollment

As of the 2007-08 school year, there were 1634 students enrolled. The following table sets forth data provided by the Academy regarding its historical and projected enrollment by grade level.

As discussed above under "General," the Academy will use the proceeds of the bonds to acquire and make minor improvements to a school facility. The acquisition of the Facility will allow the Academy to create a K-12 campus. The Academy believes that the acquisition will result in more efficient building management and easier transition of students from grade to grade. The Academy currently intends to expand its curriculum over a three year period. As a result, and as shown in the table below, the Academy projects it will maintain its enrollment, with a planned adjustment to enrollment in each grade annually as the high school program is expanded.

Table 2
Historical And Projected
Enrollment By Grade Level[1]

Grade	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
K	89	87	84	149	77	154	75	75	75	75	75
1	55	49	51	103	120	159	162	150	136	120	120
2	44	30	33	107	89	180	162	150	135	135	135
3	25	28	40	103	88	151	162	135	130	130	130
4	38	31	27	82	94	162	135	135	122	120	120
5	37	26	30	53	83	142	163	120	122	120	120
6	44	223	178	81	57	183	135	140	135	110	110
7	166	28	223	195	82	170	160	135	135	125	125
8	192	186	47	239	244	166	160	145	135	120	120
9						167	160	159	135	144	144
10							160	145	125	145	145
11								145	125	145	145
12									125	145	145
Totals:	690	688	713	1112	934	1634	1634	1634	1634	1634	1634

[1] Fluctuation in overall grade-level enrollment results because the Academy consolidated three facilities, each with different capacity, between 2005-2007 and commenced leasing the former Regina High School for the 2007-08 academic year

Source: Chandler Park Academy; data presented for 2002-03 through 2007-08 is as of the September actual pupil count for those school years; data presented for 2008-09 and thereafter is projected by Chandler Park Academy.

The Academy believes that its enrollment performance since 2002-03 tracks a demand within the student demographic principally served by the Academy for school choices other than those presented by the Detroit Public Schools ("DPS"). The Academy's enrollment has increased by almost 237 % over the nine school years from 2000-01 to 2007-08. (It should be noted, however, that the planned curriculum expansion to a K-12 school projected to result in a sustained number of 1634 students beginning in the 2007-08 school year – see the discussion accompanying "Table 2: Historical and Projected Enrollment by Grade Level," above.) During the past five year period, enrollment in Detroit Public Schools K-12 grade levels decreased by over 30%. The following table presents data regarding the comparative growth in enrollment within the Detroit Public School District and the Academy for the years shown:

Table 3
Comparative Enrollment Growth
Detroit Public Schools And The Academy

	Enrollment	
Year	**DPS**	**Academy**
2003-04	145,273	688
2004-05	133,306	713
2005-06	123,024	1,112
2006-07	109,511	934
2007-08	101,948	1,634

Source: The Academy, from data made available by the Wayne County RESA.

The following table sets forth data provided by the Academy regarding the number of students on the waiting list for the Academy for the school years shown below.

Table 4
Historical and Current Waiting List Data

Grade	2002-03	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08*	2008-09
K	43	23	7	10	45	107	92	94
1	10	6	4	3	22	34	5	20
2	13	15	3	6	33	17	13	28
3	5	11	5	10	17	36	15	41
4	6	7	1	3	34	31	23	41
5	11	9	0	5	43	25	39	59
6	23	12	12	19	70	81	49	85
7	19	28	43	38	62	51	58	108
8	23	26	9	5	35	32	46	77
9	n/a	n/a	n/a	n/a	n/a	n/a	74	125
10							23	45
Totals	153	137	84	99	361	414	437	723

* As of June 1, 2008. 90% of the Chandler Park Academy 2007-08 students re-enrolled for the 2008-09 academic year.

Source: Academy

Service Area and Competing Schools

The majority of the Academy's students reside in the City of Detroit (the "City"). The Academy currently serves the east side of the City. The Facility to be acquired as part of the Project is located in the City of Harper Woods, directly on the east border of the City and adjacent to the facility acquired in 2005. Upon acquisition of the Facility and completion of the Project, the Academy will focus on expanding its curriculum annually over the next three years to provide a K-12 curriculum and continuing to service the east side of the City.

Because the Academy is located immediately adjacent to the City of Detroit, it competes for students with all public schools within the City. There are 7 public schools within approximately 4 miles of the Academy, 5 schools with elementary/middle school curriculum , and 2 high schools, which the Academy views as competing with it with respect to enrollment of students:

- Trix Elementary School ("Trix"), located approximately 3 miles from the Academy, with an enrollment of approximately 523 students in grades K through 7;
- Poupard Elementary School ("Poupard"), located approximately 1.5 mile from the Academy, with an enrollment of approximately 458 students in grades K through 5;
- Brewer Elementary School ("Brewer"), located approximately 2.5 miles from the Academy, with an enrollment of approximately 607 students in grades pre-K through 5;
- Wayne Elementary School ("Wayne"), located approximately 3 miles from the Academy, with an enrollment of approximately 382 students in grades pre-K through 5;
- Columbus Middle School ("Columbus"), located approximately 2 miles from the Academy, with an enrollment of approximately 711 students in grades 6 through 8; and

- Denby High School (“Denby”), located approximately 2 miles from the Academy, with enrollment of approximately 2,323 students in grades 9 through 12.

- Finney High School (“Finney”), located approximately 4.6 miles from the Academy, with enrollment of approximately 1,620 students in grades 9 through 12.

Although Chandler Park Academy’s new facility will be within the Harper Woods School District, the Academy will continue to serve students primarily from the City of Detroit. This is due to the proximity to the City of Detroit and the Academy’s target population, and is consistent with the Academy’s mission of serving the “urban child.” There are no competing public school academies with a K-12 curriculum within a 5-mile radius from the facility the Academy will acquire with Bond proceeds.

Due to a legislative “cap” on the number of charter schools that can be authorized by state universities, there is limited charter school competition expected in the near future. Universities have been the most active authorizers. However, state universities have in the past offered to new applicants charters that have been relinquished either voluntarily or involuntarily by existing schools, and hence there can be no assurance that such a charter would not be granted in the future to a public school academy that competes with the Academy.

Regarding community college authorizers, Bay Mills Community College (“BMCC”) has been the most active authorizer in the State. BMCC is restricted from authorizing schools within the Detroit Public School District boundaries. It is not, however, restricted from authorizing public school academies within the Harper Woods School District, and therefore could authorize a public school academy within close proximity to the Academy.

Other community colleges, and intermediate and local public school districts may also authorize charter schools within their district boundaries. To date, 230 charter schools have been authorized in Michigan, by various authorizers as follows:

- 148 licensed by state universities;

- 39 licensed by community colleges (32 by BMCC);

- 29 licensed by intermediate school districts (6 in Wayne County, which includes the City of Detroit); and

- 14 licensed by local school districts (9 by the Detroit Public School District).

Academic Achievement Indicators

The achievement of students at the Academy is measured in several ways. The Academy’s students are required to take the Michigan Educational Assessment Program (“MEAP”) tests – the state assessment test required in all public schools.

The following chart depicts the percent of students who tested as proficient on the 2007-2008 MEAP as compared to Detroit Public Schools.

Table 5
Michigan Educational Assessment Program
Comparison Of 2007 Test Score Data

2007-2008 MEAP Test Subject and Grade	% of Students Proficient Chandler Park Academy	% of Students Proficient Detroit Public Schools	% of Students Proficient State of Michigan
ELA Grade 3	56.5%	62.4%	81.0%
ELA Grade 4	58.1%	52.1%	76.0%
ELA Grade 5	52.1%	51.0%	78.0%
ELA Grade 6	51.9%	50.9%	80.0%
ELA Grade 7	50.0%	41.9%	74.0%
ELA Grade 8	61.8%	49.0%	75.0%
Math Grade 3	71.2%	70.0%	90.0%
Math Grade 4	64.4%	63.7%	86.0%
Math Grade 5	40.8%	43.1%	74.0%
Math Grade 6	51.4%	39.2%	73.0%
Math Grade 7	38.2%	43.5%	73.0%
Math Grade 8	46.1%	38.6%	71.0%
Science Grade 5	53.5%	56.1%	82.0%
Science Grade 8	54.5%	48.9%	79.0%
Social Studies Grade 6	44.8%	38.6%	73.0%
Social Studies Grade 9	52.1%	41.2%	71.0%
Average	52.9%	49.4%	77.3%

The No Child Left Behind Act, AYP and the Status of School Improvement

Adequate Yearly Progress ("AYP") is one of the cornerstones of the federal No Child Left Behind Act ("NCLB"). In Michigan, it's a measure of year-to year student achievement on the Michigan Education Assessment Program ("MEAP") test. According to NCLB, Michigan and other states must develop target starting goals for AYP and the state must raise the bar in gradual increments so 100 percent of the students in the state are proficient on state assessments by the 2013-14 school year. The federal No Child Left Behind Act requires that AYP be calculated for all public schools, and for each school district. The school district must attain the target achievement goal in reading and mathematics or redue the percentage of students in the not-proficient category (basic and apprentice) of achievement by 10% ("safe harbor"). A school district must also test at least 95% of its students enrolled for the school as a whole and for each required student group. In addition, the district must meet or exceed the other academic indicators set by the state; attendance rate for elementary and middle school levels and graduation rate for the high school. These achievement goals must be reached for each subgroup that has at least 30 students in a group. The group size is the same for the school, and for the school district. A school district is considered to have made AYP if the district makes AYP (in both English language arts and in mathematics) at two of the three grade ranges-elementary, middle school and high school. AYP applies to each district and school in the state; however, NCLB sanctions for schools that do not make AYP for two or more years in a row, only apply to those districts and schools that receive Title I funds. Both Chandler Park Academy Elementary School and Chandler Park Academy Middle School met AYP for the 2007-08 academic year.

The requirements for "Title I" schools (as reauthorized in NCLB) that do not make Adequate Yearly Progress in English language arts or mathematics depend on the number of years for which the school has not made AYP. The requirements are designed to give Title I schools an opportunity to improve their programs, with assistance from the school district and outside experts if the district determines that they are needed. If a Title I school continues not to make AYP, the district is required to take specific actions to improve student academic achievement in the school.

At the same time as the improvement efforts are undertaken, students attending schools that do not make AYP in English language arts or mathematics are given other educational options. These options vary depending on the number of years the school has failed to make AYP.

The specific requirements for Title I schools that do not make AYP in English language arts or mathematics for one year are as follows:

- Because a school's MEAP results can change from year to year for many reasons, a school that does not make AYP for one year is given a second year to demonstrate that it can make AYP.

- There are no actions that the school or school district must take because a school has not made AYP for one year.

School Report Card

The Michigan Department of Education issues "School Report Cards" to Michigan schools. The composite letter grade given by the State of Michigan for 2007-08 academic year was a B for Grades 3-8 and a C for Grades 6-8. The tables below details the individual scores that gave the Academy the composite grades. The Composite grade is the overall grade for the school, arrived at by combining student achievement, indicators of school performance and AYP status. When data is available, it combines results over 2 or 3 years. A score and grade is assigned for each content area that is part of the Report Card. The score is calculated on a common school grading scale with 90-100 as an A. The score is based on achievement status, with the score averaged with the adjusted change score to yield the score and grade for the subject area.

Table 6
Student Report Card
Grades Tested 3 - 8

This report card provides an assessment of several measures of the Academy's performance.

	Status Score 2007-2008	Adjusted Score 2007-2008	Ed Yes! Grad 2007-2008
English Language Arts	67.3	67.3	D
Mathematics	74.9	74.9	C
Science	67.7	67.7	D
Social Studies	-	-	C
Achievement Subtotal	70	70	A
Indicators of School Performance		100	B
Preliminary Grade		80	
AYP Status (Adequate Yearly Progress)		Met AYP	
Composite Grade		B	

Student Report Card
Middle School Grades Tested 6 – 8

This report card provides an assessment of several measures of the academy's performance.

	Status Score 2007-2008	Adjusted Score 2007-2008	Ed Yes! Grad 2007-2008
English Language Arts	59.4	59.4	F
Mathematics	70	70	C
Science	60.4	60.4	D
Social Studies	59.3	59.3	F
Achievement Subtotal	62.3	82.3	D
Indicators of School Performance		100	A
Preliminary Grade		75	C
AYP Status (Adequate Yearly Progress)		Met AYP	
Composite Grade		C	

State Aid Payments

The Academy's principal source of revenue is a per-pupil base foundation allowance received from the State pursuant to the State School Aid Act of 1979 (Act 94 of 1979), Michigan Compiled Laws § 388.1601 *et. seq*. Payments are sent directly to the Academy's authorizer, which forwards the payments to the Academy, minus its 3% authorizer fee.

The following table shows the per-pupil base foundation allowance that public school academies received for the 2000-01 through 2007-08 school years; it also shows the maximum foundation allowance that the Michigan Legislature allowed public school academies for those years. The Academy received the maximum foundation allowance in each of the years presented in the table below, and also receives additional amounts based upon the at-risk student population of the Academy within a given school year.

Table 7
Per-Pupil Base Foundation Allowance

Fiscal Year	Minimum Foundation Allowance Per Pupil	Public School Academy Maximum Foundation Allowance Per Pupil
2000-01	$6,000	$6,500
2001-02	$6,300	$6,800
2002-03	$6,700	$6,926*
2003-04	$6,700	$6,926*
2004-05	$6,700	$7,000
2005-06	$6,875	$7,175
2006-07	$7,085	$7,385
2007-08	$7,204	$7,475

Source: The Academy, from information published by the Michigan House Fiscal Agency.

* This maximum foundation allowance per pupil amount reflects the effect of the application of the proration provisions of the School Aid Act. See "RISK FACTORS – Delay in, Reduction or Termination of State School Aid" above.

Pupil Membership

Pupil "membership" is the number of pupils used when calculating the amount of foundation allowance revenue a district will receive. It is calculated by adding a percentage of the number of full-time equivalent ("FTE") pupils counted in September of the current school year to a percentage of those counted durning the prior February. In Fiscal Year 2007-08, pupil members is the sum of 25% of the February 2007 pupil count plus 75% of the September 2007 count. Statewide, there are approximately 1.65 million membership pupils in Fiscal Year 2007-08.

Federal/State Funding

Public school academy students are similar to public school students for the purpose of eligibility for federal entitlement programs. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow**.** The Academy's major federal program is Title I representing approximately 4% of total revenues.

Other Sources of Revenue

According to the Charter, the Academy may solicit and receive contributions and donations as permitted by law.

Other Borrowing

Chandler Park Academy issued public school academy bonds in the amount of $7,420,000 on August 9, 2005. The current outstanding balance of the Series 2005 Bonds is $7,300,000.

Debt History

The Academy has no record of default.

Future Financings

At this time the Academy has no plans for future financings.

Retirement Plan

All employees leased by the Academy are eligible to participate in a retirement plan established by Varner which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total amounts contributed by the Academy amounted to $135,816 for the year ended June 30, 2007.

Historical and Budgeted Financial Information

Accounting Principles. Pursuant to its Charter, the Academy is required to comply with generally accepted public sector accounting methods and to submit audited financial reports to the President of Saginaw Valley State University Board of Control annually within 120 days after the end of the Academy's fiscal year. Accordingly, an annual financial audit is conducted by an independent auditor, currently Croskey, Lanni & Company, PC, Certified Public Accountants, Rochester Hills, Michigan, to ensure that expenditures of public funds by the Academy were properly made and accounted.

Budget Process and Information

The Academy adopts an operating budget each year and is required by the Charter to submit a proposed annual budget to the University Board President no later than July 1 of each year.

Historical and Projected Revenues and Expenses

The following table sets forth the Academy's historical and projected revenues and expenses for the years shown below. The information presented for the School Years ending 2004-2007 is based on audited financial statements. The information presented for the School Year ended June 30, 2008 is budget data presented by the Academy. The information presented for the School Years ending June 30, 2008 through 2012 is projected information provided by the Academy, which is based upon certain assumptions. The projections are derived from the actual operation of the Academy and from the Academy's assumptions about the student enrollment and expenses. See "RISK FACTORS – Limited Operating History; Reliance on Projections" above.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. See "RISK FACTORS – Limited Operating History; Reliance on Projections" above.

Table 8
Historical And Projected Revenues, Expenditures
And Changes In Fund Balance

	Actual (2003-2006)[1]					Projected			
Enrollment[3]	**2003-4**	**2004-5**	**2005-6**	**2006-7**	**2007-8**[2]	**2008-9**	**2009-10**	**2010-11**	**2011-12**
September Actuals	**688**	**713**	**1112**	**934**	**1634**	**1634**	**1634**	**1634**	**1634**
Blended Count	692	693	957	977	1,495				
Foundation Allowance[4]	$6,915	$7,011	$7,175	$7,385	$7,475	$7,550	$7,625	$7,701	$7,779
Revenues									
State Sources									
Basic Foundation Aid	$4,788,236	$4,814,086	$7,243,163	$7,248,245	$11,168,115	$12,336,292	$12,459,654	$12,584,251	$12,710,093
Section 31A & 51C (at risk)	$285,395	$307,241	$301,700	$479,743	$386,230	$390,092	$393,993	$397,933	$401,912
Local	$48,793	$101,607	$78,563	$58,582					
Federal Sources									
Title Funds	$254,399	$537,176	$452,116	$587,218	$517,200	$522,372	$527,596	$532,872	$538,200
Food Service	$161,183	$132,281	$228,754	$232,568	$386,700	$390,567	$394,473	$398,417	$402,402
Dissemination Grant					$123,000				
Misc Revenue - All					$89,850				
Total Revenues	**$5,538,006**	**$5,892,391**	**$8,304,296**	**$8,606,356**	**$12,671,095**	**$13,639,323**	**$13,775,716**	**$13,913,473**	**$14,052,608**
Instructional Expense									
Salaries/Benefits/Insurance	$2,105,377	$2,801,035	$3,627,521	$3,739,406	$4,377,960	$4,509,299	$4,644,578	$4,783,915	$4,927,433
Federal Grants[5]	$0	$0	$0	$0	$739,620	$718,610	$718,610	$718,610	$718,610
Other Instructional Expenses	$265,426	$285,982	$410,139	$144,087	$574,380	$591,611	$609,360	$627,641	$646,470
Support Services - Pupil	$129,419		$94,789	$21,554	$288,600	$297,258	$306,176	$315,361	$324,822
General Administrative	100,313	$89,702	$55,075	$50,630	$178,800	$184,164	$189,689	$195,380	$201,241
Executive Administration									
Management Fee	$478,162	$483,591	$754,564	$769,585	$1,155,435	$1,233,629	$1,245,965	$1,258,425	$1,271,009
Board Consultants	$34,887	$37,236	$19,874	$39,711	$125,000	$128,750	$132,613	$136,591	$140,689
SVSU	$143,713	$145,063	$217,295	$216,483	$335,045	$370,089	$373,790	$377,528	$381,303
School Administration									
Salaries/Benefits/Insurance	$617,397	$626,412	$643,515	$517,889	$877,879	$904,215	$931,342	$959,282	$988,061
Other School Administration	$90,638	$93,119	$109,140	$111,035	$169,380	$174,461	$179,695	$185,086	$190,639
Business Support Services	$24,362	$26,267	$46,939	$47,920	$226,260	$233,048	$240,039	$247,240	$254,658
Operations and Maintenance	$369,028	$300,537	$512,208	$793,825	$1,127,270	$1,161,088	$1,195,921	$1,231,798	$1,268,752
Pupil Transportation	$11,523	$3,335	$17,328	$36,900	$78,000	$80,340	$82,750	$85,233	$87,790
Lunch / Athletic Program	$322,762	$213,590	$329,081	$448,356	$598,090	$616,033	$634,514	$653,549	$673,156
Facilities Security	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other/Facility Acquisition	$107,721	$10,122	$124,467	$15,209	$460,000	$500,000	$200,000	$200,000	$200,000
Operating Leases	$591,270	$618,360	$550,438	$179,016					
Total Operating Expenses	**$5,391,998**	**$5,734,351**	**$7,512,373**	**$7,131,606**	**$11,311,719**	**$11,702,595**	**$11,685,041**	**$11,975,638**	**$12,274,630**
Excess Revenues Available for Debt Service	**$146,008**	**$158,040**	**$791,923**	**$1,474,750**	**$1,359,376**	**$1,936,727**	**$2,090,675**	**$1,937,835**	**$1,777,978**
Capitalized Interest			$267,010						
2005 Series Debt Service			$267,010	$366,884	$486,884	$487,584	$482,814	$482,814	$482,614
2008 Bond Debt Service*						$397,892	$656,883	$659,323	$656,343
Estimated Bond Debt Service Coverage (2005&2008)*			2.97	2.33	2.79	2.19	1.83	1.70	1.56
Excess Revenues After Debt Service*	$146,008	$158,040	$524,913	$1,107,866	$872,492	$1,449,143	$1,607,861	$1,455,021	$1,295,364
Principal Paid On Bonds*					$120,000	$125,000	$255,000	$270,000	$280,000
Estimated Building Depreciation			$126,042	$137,500	$137,500	$349,259	$349,259	$349,259	$349,259
Other			$25,587	$174,261					
Estimated Changes in Net Assets	$146,008	$158,040	$373,284	$1,144,627	$734,992	$1,099,884	$1,258,602	$1,105,762	$946,105
Estimated Fund Balance-Beginning*	$927,889	$1,073,897	$1,231,937	$1,605,221	$2,749,848	$3,484,840	$4,584,724	$5,843,327	$6,949,088
Estimated Fund Balance-Year End*	$1,073,897	$1,231,937	$1,605,221	$2,749,848	$3,484,840	$4,584,724	$5,843,327	$6,949,088	$7,895,193
Estimated Required Fund Balance*		$286,718	$375,619	$356,580	$565,586	$585,130	$584,252	$598,782	$613,732
Estimated Debt Burden*			3.22%	4.26%	3.84%	6.49%	8.27%	8.21%	8.10%
Debt Service as % of State Aid*			7.37%	5.06%	4.36%	7.18%	9.15%	9.08%	8.96%

[1] Figures for fiscal years 2004-2007 are based on Academy's audited financial statements.

[2] Figures for fiscal year 2008 are based on Academy's adopted budget.

[3] See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS-State School Aid;" Source: Pupil Membership Counts.

[4] Projected foundation allowance figures presume 1% growth per year.

[5] Federal grant expenditures are included in various expenditure categories in Academy's audited financial statements. For purposes of projecting expenditures, all federal grant-related expenditures are include din a single line item.

* Preliminary, subject to change.

SUMMARY OF SIGNIFICANT ASSUMPTIONS

The projected information in Table 8 is projected based on a number of assumptions and variables. These assumptions include: (1) the Academy will maintain actual enrollment of 1,634 students, (2) the foundation allowance will increase by one percent per year, and (3) operating expenses will increase by three percent per year.

State School Aid Revenue

State law requires two membership student counts each school year; one of the fourth Wednesday in September (the "Fall Count") and another on the second Wednesday in February (the "Spring Count"). State law defines a "Blended Pupil Count" to be the current year Fall Count times a factor set by the State times and adding it to the prior year Spring Count times a factor set by the State. For the years ending June 30, 2005, 2006, and 2007, the current year factor is 75% and the prior year factor is 25%. The state foundation grant revenue is determined by multiplying the Blended Pupil Count by the per-pupil foundation allowance. The underlying assumptions used to determine the projected foundation grant revenue for fiscal 2007 through 2037 are shown in each table. For Table 8, these assumptions include the Academy will increase its academic curriculum by one grade per year, maintain a total enrollment of 1,634 students across the grade levels through the year 2012, and a one percent increase in state aid per pupil is projected.

Federal Revenues

The projected information in Table 8, federal revenue projections are presented on a consolidated basis and include Title I Part A (NCLB supporting children from a low income district). Title II Part D (NCLB – technology), Title II Part A (teacher and principal quality professional partnership) and Title V Part A (innovative programs) representing 4% of the total revenues. The projections reflect a 1% annual increase in all federal funding programs.

Expenses

The projected information in Table 8, total operating expenses are based on prior experience and projected to increase by 3% annually. The management fee is calculated based on 10% of the foundation allowance assuming total enrollment of 1,634 students. The authorizer fee is calculated based on 3% of the foundation allowance, assuming total enrollment of 1,634 students.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY CHANDLER PARK ACADEMY.

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR THE ACADEMY FOR THE YEAR ENDED JUNE 30, 2005 JUNE 30, 2006 AND JUNE 30, 2007

Chandler Park Academy

Detroit, Michigan

Audited Financial Statements

June 30, 2005

CONTENTS

Croskey, Lanni & Company, PC
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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
of Chandler Park Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chandler Park Academy, as of and for the year ended June 30, 2005, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Chandler Park Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chandler Park Academy as of June 30, 2005, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chandler Park Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards,* we have also issued our report dated August 11, 2005 on our consideration of Chandler Park Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Croskey Lanni & Company, P.C.
Croskey, Lanni & Company, P.C.

August 11, 2005
Rochester, Michigan

CHANDLER PARK ACADEMY

STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

Current Assets	
Cash and cash equivalents	$ 270,140
Accounts receivable	1,217,866
Prepaid expenses	211,096
Total current assets	1,699,102
Furniture and Equipment	
At cost less accumulated depreciation of $482,962	144,404
Total assets	$ 1,843,506

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 29,780
Notes payable	68,138
Other accrued expenses	369,247
Total current liabilities	467,165
Net Assets	
Unrestricted	1,376,341
Total liabilities and net assets	$ 1,843,506

See accompanying notes to financial statements

CLC

CHANDLER PARK ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
Functions	**Expenses**	**Charges for Services**	**Operating Grants**	**Government Type Activities**
Elementary school	$ 1,087,681	$ -	$ 104,789	$ (982,892)
Middle school	1,324,497	-	104,788	(1,219,709)
Compensatory education	674,839	-	637,108	(37,731)
General administration	89,702	-	-	(89,702)
Executive administration	665,890	-	-	(665,890)
Building administration	719,531	-	-	(719,531)
Lunch program	187,950	11,283	132,281	(44,386)
Business support services	644,627	-	-	(644,627)
Operations and maintenance	300,537	-	-	(300,537)
Field trips	3,335	-	-	(3,335)
Depreciation	24,273	-	-	(24,273)
Interest	6,132	-	-	(6,132)
Total primary government	$ 5,728,994	$ 11,283	$ 978,966	(4,738,745)
General purpose revenues:				
State school aid - unrestricted				4,814,086
Miscellaneous				84,448
Interest				3,608
Total general purpose revenues				4,902,142
Excess of revenues over expenses				163,397
Net assets - July 1, 2004				1,212,944
Net assets - June 30, 2005				$ 1,376,341

See accompanying notes to financial statements

CLC

CHANDLER PARK ACADEMY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS

	General
Cash and cash equivalents	$ 270,140
Due from other governmental units	1,217,866
Prepaid expenses	211,096
Total assets	$ 1,699,102

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	$ 29,780
Notes payable	68,138
Other accrued expenses	369,247
Total liabilities	467,165
Fund Balance	
Unreserved:	
Undesignated	1,231,937
Total liabilities and fund balances	$ 1,699,102

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	$ 1,231,937
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $627,366 and the accumulated depreciation is $482,962.	144,404
Net Assets of Governmental Activities	$ 1,376,341

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	School Service
Revenues		
Local sources	$ 90,324	$ 11,283
State sources	5,121,327	-
Federal sources	537,176	132,281
Total general fund revenues	5,748,827	143,564
Expenditures		
Elementary school	1,087,681	-
Middle school	1,324,497	-
Compensatory education	674,839	-
General administration	89,702	-
Executive administration	665,890	-
Building administration	719,531	-
Lunch program	-	187,950
Business support services	644,627	-
Operations and maintenance	300,537	-
Field trips	3,335	-
Capital outlay	3,990	25,640
Debt principal and interest	6,132	-
Total expenditures	5,520,761	213,590
Excess of revenues over expenditures	228,066	(70,026)
Other financing sources (uses)		
Operating transfers in	-	70,026
Operating transfers out	(70,026)	-
Total other financing sources (uses)	(70,026)	70,026
Excess of revenues and other financing sources over expenditures and other (uses)	158,040	-
Fund balance - July 1, 2004	1,073,897	-
Fund balance - June 30, 2005	$ 1,231,937	$ -

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds		$ 158,040
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation for the current period.		
Capital outlay	$ 29,630	
Depreciation expense	(24,273)	5,357
Change in Net Assets of Governmental Activities		$ 163,397

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

ASSETS

	Agency
Cash and cash equivalents	$ 7,833
Total assets	$ 7,833

LIABILITIES

Due to student groups	$ 7,833
Total liabilities	$ 7,833

See accompanying notes to financial statements

CHANDLER PARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Chandler Park Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Chandler Park Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 30, 1997, and began operation in July 1997.

In May 1997, the Academy entered into a five-year contract with the Saginaw Valley State University Board of Control to charter a public school academy. The original contract was renewed for an additional five years through June, 2007. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2005 were $145,063.

In September 2003, the Academy entered into a three-year agreement with Varner and Associates International, L.L.C "Varner". Under the terms of this agreement, Varner provides a variety of services including management, curriculum, educational programs and teacher training. The Academy is obligated to pay Varner ten percent of its state aid. The total paid for these services amounted to $483,591 for the year ended June 30, 2005.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the entity does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy only has a general fund and is therefore designated as its major fund.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.

b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.

c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation's with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally, imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable at June 30, 2005 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2005 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Computers and software	3 - 10 years

NOTE 1 - Summary of Significant Accounting Policies - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general and school service fund budget. During the year ended June 30, 2005 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and changes in fund balances.

NOTE 3 - Deposits and Investments

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $100,00 per deposit account. The Academy's uninsured and uncollateralized cash balance as of June 30, 2005 amounts to $299,000.

NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units consist of the following:

State aid	$	938,288
Federal revenue		264,231
Other receivables		15,347
Total	$	1,217,866

NOTE 5 - Note Payable

The Academy has obtained a business loan through a bank amounting to $370,000. The loan was issued to provide the Academy with funds to finance school operations at the beginning of the fiscal year. The loan requires monthly payments of $34,212 including interest at 3.53% through August, 2005. Security for the loan is provided through future state school aid payments. The total amount outstanding as of June 30, 2005 was $68,138.

NOTE 6 - Accrued Expenses

Accrued expenses may be summarized as follows:

Management fee	$	49,531
SVSU oversight fee		26,375
Purchased services - payroll and benefits		293,341
Total	$	369,247

NOTE 7 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2004	Additions	Balance June 30, 2005
Leasehold improvements	$ 112,387	$ -	$ 112,387
Equipment	485,349	29,630	514,979
Subtotal	597,736	29,630	627,366
Accumulated depreciation	458,689	24,273	482,962
Net book value of assets	$ 139,047	$ 5,357	$ 144,404

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 8 - Operating Leases

The Academy has entered into four non-cancelable operating lease agreements with separate unrelated third parties for building and land for its separate locations in Detroit and Oak Park, Michigan. The lessors are responsible for utilities, property taxes and repairs. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the properties in like condition as at the inception of the lease. The Philips Street and Haverhill Street properties lease agreement began in September 2003 and July 2003, respectively. The Greenfield Road property lease agreement began in August 1999 for the term of five years and was subsequently renewed for an additional two years. The Oak Park Boulevard lease agreement began in August 2001 for the term of three years, and was subsequently renewed for an additional two years. Total rental payments amounted to $618,360 for the year ended June 30, 2005.

Following is a summary of the lease terms for each of the rental properties:

	Length of lease term	Monthly rental payment	Other
Philip Street, Detroit, MI	3 years	$ 11,500	None
Haverhill Street, Detroit, MI	3 years	14,598	Annual rental increase proportional to increase in student enrollment.
Greenfield Road, Detroit, MI	2 years	11,000	None
Oak Park Boulevard, Oak Park, MI	2 years	11,000	Annual rental increase proportional to increase in student enrollment.

The Academy has also leased equipment for its facilities under non-cancelable agreements which expire at various times through April, 2008. The leases require approximate annual rentals of $21,200.

The approximate amount of operating lease obligations coming due during the next three years are as follows:

	Building	Equipment
2006	$ 577,176	$ 21,192
2007	11,000	11,856
2008	-	6,368

CHANDLER PARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 10 - Retirement Plan

All employees leased by the Academy are eligible to participate in a retirement plan established by Varner which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total amounts contributed by the Academy amounted to $24,600 for the year ended June 30, 2005.

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amount between its two major funds as follows:

	General	School Service
Transfer In	$ -	$ 70,026
Transfer Out	70,026	-

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
of Chandler Park Academy

We have audited the accompanying financial statements of Chandler Park Academy for the year ended June 30, 2005. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of financial statements of Chandler Park Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Croskey, Lanni & Company, P.C.

Croskey, Lanni & Company, P.C.

August 11, 2005
Rochester, Michigan

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CHANDLER PARK ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund			School Service		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Local sources	$ -	$ 52,524	$ 90,324	$ -	$ -	$ 11,283
State sources	5,397,498	5,165,525	5,121,327	-	-	-
Federal sources	313,670	521,674	537,176	133,060	123,869	132,281
Total general fund revenues	5,711,168	5,739,723	5,748,827	133,060	123,869	143,564
Expenditures						
Elementary school	1,112,235	1,117,515	1,087,681	-	-	-
Middle school	1,405,410	1,339,605	1,324,497	-	-	-
Compensatory education	508,165	681,264	674,839	-	-	-
General administration	70,000	93,500	89,702	-	-	-
Executive administration	742,662	715,581	665,890	-	-	-
Building administration	709,320	730,040	719,531	-	-	-
Lunch program	-	-	-	267,576	208,560	187,950
Business support services	628,130	656,984	644,627	-	-	-
Operations and maintenance	384,430	317,932	300,537	-	-	-
Field trips	10,100	5,700	3,335	-	-	-
Capital outlay	-	3,990	3,990	-	25,660	25,640
Debt principal and interest	6,200	6,200	6,132	-	-	-
Total expenditures	5,576,652	5,668,311	5,520,761	267,576	234,220	213,590
Excess of revenues over expenditures	134,516	71,412	228,066	(134,516)	(110,351)	(70,026)
Other financing sources (uses)						
Operating transfers in	-	-	-	134,516	38,939	70,026
Operating transfers out	(134,516)	(38,939)	(70,026)	-	-	-
Total other financing sources (uses)	(134,516)	(38,939)	(70,026)	134,516	38,939	70,026
Excess of revenues and other financing sources over expenditures and other (uses)	-	32,473	158,040	-	(71,412)	-
Fund balance - July 1, 2004	1,073,897	1,073,897	1,073,897	-	-	-
Fund balance - June 30, 2005	$ 1,073,897	$ 1,106,370	$ 1,231,937	$ -	$ (71,412)	$ -

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Haverhill	Greenfield	Philip	Oak Park	Total
Local sources					
SVSU mini grant	$ 6,134	$ 3,444	$ 5,526	$ 2,600	$ 17,704
Uniform sales	-	-	9,036	-	9,036
Interest income	902	902	902	902	3,608
Other local sources	18,695	355	40,659	267	59,976
Total local sources	25,731	4,701	56,123	3,769	90,324
State sources					
At risk	92,594	47,451	76,523	90,673	307,241
State aid	1,457,836	745,500	1,202,250	1,408,500	4,814,086
Total state sources	1,550,430	792,951	1,278,773	1,499,173	5,121,327
Federal sources					
Title I	43,079	114,394	116,837	139,238	413,548
Title II A	20,590	20,130	7,934	4,377	53,031
Title II D	700	1,113	39,000	700	41,513
Title V	1,147	6,860	2,025	3,616	13,648
IDEA Special Education	15,436	-	-	-	15,436
Total federal sources	80,952	142,497	165,796	147,931	537,176
Total general fund revenues	$ 1,657,113	$ 940,149	$ 1,500,692	$ 1,650,873	$ 5,748,827

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Haverhill	Greenfield	Philip	Oak Park	Total
Elementary school					
Purchased services - salaries	$ -	$ 313,045	$ -	$ 400,752	$ 713,797
Purchased services - benefits	-	81,424	-	99,668	181,092
Purchased services - payroll taxes	-	27,538	-	35,381	62,919
Workshops and conferences	-	7,579	-	1,841	9,420
Teaching materials	-	17,823	-	28,865	46,688
Equipment leases	-	8,108	-	14,597	22,705
Uniforms	-	176	-	-	176
Capital outlay - nondepreciable	-	28,212	-	6,899	35,111
Miscellaneous	-	6,755	-	9,018	15,773
Total elementary school	-	490,660	-	597,021	1,087,681
Middle school					
Purchased services - salaries	493,438	-	406,807	-	900,245
Purchased services - benefits	122,868	-	92,989	-	215,857
Purchased services - payroll taxes	41,446	-	36,550	-	77,996
Workshops and conferences	1,038	-	3,154	-	4,192
Teaching materials	19,246	-	21,041	-	40,287
Repairs and maintenance	677	-	-	-	677
Equipment lease	14,449	-	13,683	-	28,132
Uniforms	-	-	7,670	-	7,670
Capital outlay - nondepreciable	27,717	-	3,928	-	31,645
Miscellaneous	5,861	-	11,935	-	17,796
Total middle school	726,740	-	597,757	-	1,324,497
Compensatory Education					
Purchased services - salaries	49,079	57,335	69,876	123,169	299,459
Purchased services - benefits	1,697	2,230	2,932	37,801	44,660
Purchased services - payroll taxes	2,737	2,700	4,252	8,539	18,228
Contracted services	9,039	19,406	23,923	13,657	66,025
Professional development	34,775	41,743	22,336	20,516	119,370
Supplies	14,266	22,821	16,498	10,612	64,197
Capital outlay - nondepreciable	-	-	37,731	-	37,731
Miscellaneous	690	21,137	1,729	1,613	25,169
Total compensatory education	112,283	167,372	179,277	215,907	674,839

See independent auditor's report on supplemental information

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CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2005

	Haverhill	Greenfield	Philip	Oak Park	Total
General administration					
Legal services	1,441	1,440	1,440	1,440	5,761
Audit services	2,924	936	936	6,602	11,398
Advertising	17,955	16,652	19,692	18,244	72,543
Total general administration	22,320	19,028	22,068	26,286	89,702
Executive administration					
SVSU oversight	44,088	22,248	35,951	42,776	145,063
Management fees	146,790	73,990	119,665	143,146	483,591
Board consultants	10,218	8,833	8,333	9,852	37,236
Total executive administration	201,096	105,071	163,949	195,774	665,890
Building administration					
Purchased services - salaries	132,753	98,027	130,101	122,413	483,294
Purchased services - benefits	28,610	16,608	26,436	29,629	101,283
Purchased services - payroll taxes	11,627	9,611	10,515	10,082	41,835
Workshops and conferences	396	939	-	1,084	2,419
Supplies and other	17,485	6,762	9,123	12,978	46,348
Postage	2,747	2,490	1,916	2,184	9,337
Dues and memberships	210	-	330	678	1,218
Capital outlay - nondepreciable	836	-	-	698	1,534
Miscellaneous	2,321	10,369	8,747	10,826	32,263
Total building administration	196,985	144,806	187,168	190,572	719,531
Business support services					
Liability insurance	4,570	4,570	4,570	4,570	18,280
Building leases	175,176	132,000	138,000	173,184	618,360
Bank fees	2,004	2,003	2,004	1,976	7,987
Total business support services	181,750	138,573	144,574	179,730	644,627

See independent auditor's report on supplemental information

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CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2005

	Haverhill	Greenfield	Philip	Oak Park	Total
Operations and maintenance					
Purchased services - salaries	2,476	216	-	-	2,692
Purchased services - benefits	1,250	1,106	-	-	2,356
Purchased services - payroll taxes	379	183	-	-	562
Cleaning service	46,200	36,500	41,850	30,600	155,150
Building repair	16,778	24,229	28,756	10,627	80,390
Utilities	14,146	8,997	9,410	8,542	41,095
Supplies	1,942	-	-	-	1,942
Capital outlay - nondepreciable	-	-	-	2,500	2,500
Miscellaneous	2,395	4,029	3,866	3,560	13,850
Total operations and maintenance	85,566	75,260	83,882	55,829	300,537
Field Trips	702	2,393	-	240	3,335
Capital Outlay					
Middle school	-	-	3,990	-	3,990
Debt principal and interest	1,533	1,533	1,533	1,533	6,132
Total general fund expenses	$ 1,528,975	$ 1,144,696	$ 1,384,198	$ 1,462,892	$ 5,520,761

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES AND EXPENDITURES - SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Haverhill	Greenfield	Philip	Oak Park	Total
Revenues					
Local	$ 2,418	$ 1,262	$ 1,351	$ 6,252	$ 11,283
Federal	50,040	20,006	32,689	29,546	132,281
Total revenues	52,458	21,268	34,040	35,798	143,564
Expenditures					
Purchased services - salaries	6,239	5,636	5,501	3,287	20,663
Purchased services - benefits	6,737	1,385	2,116	382	10,620
Purchased services - payroll taxes	809	667	709	95	2,280
Food	50,999	23,799	39,481	39,827	154,106
Capital outlay	6,410	6,410	6,410	6,410	25,640
Miscellaneous	85	76	75	45	281
Total expenditures	71,279	37,973	54,292	50,046	213,590
Excess of expenditures over revenues	$ (18,821)	$ (16,705)	$ (20,252)	$ (14,248)	$ (70,026)

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See independent auditor's report on supplemental information

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Board of Directors
of Chandler Park Academy**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chandler Park Academy as of and for the year ended June 30, 2005, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chandler Park Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Chandler Park Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the board of directors and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Croskey, Lanni & Company, P.C.

Croskey, Lanni & Company, P.C.

August 11, 2005
Rochester, Michigan

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Chandler Park Academy

Detroit, Michigan

Audited Financial Statements

June 30, 2006

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Chandler Park Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chandler Park Academy, as of and for the year ended June 30, 2006, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Chandler Park Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chandler Park Academy as of June 30, 2006, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chandler Park Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards,* we have also issued our report dated August 22, 2006 on our consideration of Chandler Park Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Croskey, Lanni & Company, P.C.
Croskey, Lanni & Company, P.C.

August 22, 2006
Rochester, Michigan

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CHANDLER PARK ACADEMY

STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Current Assets	
Cash and cash equivalents	$ 1,520,060
Due from other governmental units	1,693,387
Prepaid expenses	34,881
Total current assets	3,248,328
Facilities, Furniture and Equipment	
At cost less accumulated depreciation of $544,511	6,399,494
Other Assets	
Capitalized loan costs less accumulated amortization of $30,731	472,139
Total assets	$ 10,119,961

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 113,484
Notes payable	166,193
Other accrued expenses	594,539
Long-term debt - current portion	366,884
Total current liabilities	1,241,100
Long-Term Debt - Long-Term Portion	7,053,116
Net Assets	
Invested in capital assets, net of related debt	(548,367)
Restricted for debt service	541,419
Restricted for capital projects	288,619
Unrestricted	1,544,074
Total net assets	1,825,745
Total liabilities and net assets	$ 10,119,961

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions	**Expenses**	**Program Revenues**		**Net (Expense) Revenues and Changes in Net Assets**
		Charges for Services	**Operating Grants**	**Government Type Activities**
Elementary school	$ 2,124,976	$ -	$ 127,361	$ (1,997,615)
Middle school	1,413,692	-	127,360	(1,286,332)
Compensatory education	498,992	-	498,992	-
General administration	55,075	-	-	(55,075)
Executive administration	991,733	-	-	(991,733)
Building administration	752,655	-	-	(752,655)
Lunch program	329,081	8,775	228,754	(91,552)
Business support services	597,377	-	-	(597,377)
Operations and maintenance	512,208	-	-	(512,208)
Athletic program	43,414	-	-	(43,414)
Field trips	17,328	-	-	(17,328)
Custody and care of children	51,375	-	-	(51,375)
Depreciation	165,787	-	-	(165,787)
Amortization	30,731	-	-	(30,731)
Interest	340,741	38,771	-	(301,970)
Total primary government	$ 7,925,165	$ 47,546	$ 982,467	(6,895,152)
General Purpose Revenues:				
State school aid - unrestricted				7,243,163
Gain on sale of capital assets				32,928
Miscellaneous				68,465
Total general purpose revenues				7,344,556
Excess of revenues over expenses				449,404
Net assets - July 1, 2005				1,376,341
Net assets - June 30, 2006				$ 1,825,745

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2006

ASSETS

	General	Debt Service	Capital Projects
Cash and cash equivalents	$ 690,022	$ 541,419	$ 288,619
Due from other governmental units	1,693,387	-	-
Prepaid expenses	34,881	-	-
Total assets	$ 2,418,290	$ 541,419	$ 288,619

LIABILITIES AND FUND BALANCES

	General	Debt Service	Capital Projects
Liabilities			
Accounts payable	$ 113,484	$ -	$ -
Notes payable	166,193	-	-
Other accrued expenses	533,392	-	-
Total liabilities	813,069	-	-
Fund Balance			
Reserved for debt service	-	541,419	-
Reserved for capital projects	-	-	288,619
Unreserved:			
Undesignated	1,605,221	-	-
Total liabilities and fund balances	$ 2,418,290	$ 541,419	$ 288,619

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	$ 2,435,259
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $6,944,005 and the accumulated depreciation is $544,511.	6,399,494
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the asset is $502,870 and the accumulated amortization is $30,731.	472,139
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(61,147)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,420,000)
Net Assets of Governmental Activities	$ 1,825,745

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

	General	School Service	Debt Service	Capital Projects
Revenues				
Local sources	$ 69,788	$ 8,775	$ 37,345	$ -
State sources	7,544,863	-	-	-
Federal sources	452,116	228,754	-	-
Total governmental fund revenues	8,066,767	237,529	37,345	-
Expenditures				
Elementary school	2,124,976	-	-	-
Middle school	1,413,692	-	-	-
Compensatory education	498,992	-	-	-
General administration	55,075	-	502,870	-
Executive administration	991,733	-	-	-
Building administration	752,655	-	-	-
Lunch program	-	329,081	-	-
Business support services	597,377	-	-	-
Operations and maintenance	512,208	-	-	-
Athletic program	-	43,414	-	-
Field trips	17,328	-	-	-
Custody and care of children	51,375	-	-	-
Capital outlay	111,883	-	-	6,316,066
Debt principal and interest	12,584	-	267,010	-
Total expenditures	7,139,878	372,495	769,880	6,316,066
Excess (deficiency) of revenues over expenditures	926,889	(134,966)	(732,535)	(6,316,066)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	1,273,954	6,146,046
Proceeds from sale of capital asset	40,000	-	-	-
Operating transfers in	-	134,966	-	458,639
Operating transfers out	(593,605)	-	-	-
Total other financing sources (uses)	(553,605)	134,966	1,273,954	6,604,685
Excess of revenues and other financing sources over expenditures and other (uses)	373,284	-	541,419	288,619
Fund balance - July 1, 2005	1,231,937	-	-	-
Fund balance - June 30, 2006	$ 1,605,221	$ -	$ 541,419	$ 288,619

See accompanying notes to financial statements

CLC

CHANDLER PARK ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds		$ 1,203,322
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation for the current period.		
Capital outlay	$ 6,427,949	
Gain on sale of capital assets	32,928	
Depreciation expense	(165,787)	6,295,090
Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, intangible assets are capitalized and the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which loan issuance costs exceeded amortization in the current period.		
Loan issuance costs	$ 502,870	
Amortization expense	(30,731)	472,139
The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:		
Proceeds from long-term debt	$ (7,420,000)	
Proceeds from sale of assets	(40,000)	
Interest expense	(61,147)	(7,521,147)
Change in Net Assets of Governmental Activities		$ 449,404

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

ASSETS

	Agency
Cash and cash equivalents	$ 7,214
Total assets	$ 7,214

LIABILITIES

Due to student groups	$ 7,214
Total liabilities	$ 7,214

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See accompanying notes to financial statements

CHANDLER PARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Chandler Park Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Chandler Park Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 30, 1997, and began operation in July 1997.

In May 1997, the Academy entered into a five-year contract with the Saginaw Valley State University Board of Control to charter a public school academy. The original contract was renewed for an additional five years through June, 2007. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2006 were approximately $217,300.

In September 2003, the Academy entered into a three-year agreement with Varner and Associates International, L.L.C., "Varner". Under the terms of this agreement, Varner provides a variety of services including management, curriculum, educational programs and teacher training. The Academy is obligated to pay Varner ten percent of its state aid. The total paid for these services amounted to approximately $754,560 for the year ended June 30, 2006.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the entity does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy only has a general fund and is therefore designated as its major fund.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

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NOTE 1 - Summary of Significant Accounting Policies -Continued

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.

b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.

c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation's with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally, imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition.

Receivables

Receivables at June 30, 2006 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2006 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Computers and software	3 - 10 years

NOTE 1 - Summary of Significant Accounting Policies - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general and school service fund budget. During the year ended June 30, 2006 the budget was amended in a legally permissible manner.

NOTE 3 - Deposits and Investments

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000 per financial institution. The Academy's uninsured and uncollateralized cash balance as of June 30, 2006 amounts to $789,074.

The Academy's investments at June 30, 2006 were comprised of fund shares that had a carrying and market value of $830,038. These investments are held by a trustee to be used solely for debt service on the revenue bonds as described in Note 8. The investments are in mutual funds that invest in US Treasury obligations. The Academy has not adopted a formal investment policy.

NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units consist of the following:

State revenue	$ 1,372,401
Federal revenue	191,896
Other receivables	129,090
Total	$ 1,693,387

NOTE 5 - Note Payable

The Academy has obtained a business loan through a bank amounting to $600,000. The loan was issued to provide the Academy with funds to finance school operations at the beginning of the fiscal year. The loan requires monthly payments of $55,763 including interest at 3.95% through August, 2006. Security for the loan is provided through future state school aid payments. The total amount outstanding as of June 30, 2006 was $166,193.

NOTE 6 - Accrued Expenses

Accrued expenses may be summarized as follows:	Net Assets	Funds
Management fee	$ 125,760	$ 125,760
SVSU oversight fee	43,198	43,198
Purchased services - payroll and benefits	364,434	364,434
Interest	61,147	-
Total	$ 594,539	$ 533,392

NOTE 7 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Building	$ -	$ 5,600,000	$ -	$ 5,600,000
Loan issuance costs	-	502,870	-	502,870
Furniture and fixtures	-	9,943	-	9,943
Office equipment	-	7,183	-	7,183
Leasehold improvements	112,388	716,066	-	828,454
Machinery and equipment	514,979	94,757	111,311	498,425
Subtotal	627,367	6,930,819	111,311	7,446,875
Accumulated depreciation and amortization	482,962	196,518	104,238	575,242
Net book value of assets	$ 144,405	$ 6,734,301	$ 7,073	$ 6,871,633

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Retirements & Payments	Balance June 30, 2006	Due Within One Year
Revenue bonds	$ -	$ 7,420,000	$ -	$ 7,420,000	$ 366,884

The Academy has issued Revenue Bonds bearing interest at an average rate of 5% through the year ended June 30, 2035. The obligations require semi-annual interest payments due November 1st and May 1st and an annual payment of principal due November 1st beginning in 2007. The bonds are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

The following are maturities of long-term obligations for principal and interest for the next five years and in total.

	Principal	Interest
2007	$ -	$ 366,884
2008	120,000	364,724
2009	125,000	360,189
2010	125,000	355,314
2011	130,000	350,214
2012 - 2016	750,000	1,659,786
2017 - 2021	945,000	1,458,719
2022 - 2026	1,205,000	1,189,584
2027 - 2031	1,550,000	839,219
2032 - 2036	2,470,000	376,431

NOTE 9 - Operating Leases

The Academy has entered into four non-cancelable operating lease agreements with separate unrelated third parties for building and land for its separate locations in Detroit and Oak Park, Michigan. The lessors are responsible for utilities, property taxes and repairs. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the properties in like condition as at the inception of the lease. The Philips Street and Haverhill Street properties lease agreement began in September 2003 and July 2003, respectively. The Greenfield Road property lease agreement began in August 1999 for the term of five years and was subsequently renewed for an additional two years. The Oak Park Boulevard lease agreement began in August 2001 for the term of three years, and was subsequently renewed for an additional two years. Total rental payments amounted to $550,438 for the year ended June 30, 2006.

Following is a summary of the lease terms for each of the rental properties:

	Length of lease term	Monthly rental payment	Other
Philip Street, Detroit, MI	3 years	$ 11,820	None
Haverhill Street, Detroit, MI	4 years	14,918	Annual rental increase proportional to increase in student enrollment.
Greenfield Road, Detroit, MI	2 years	11,000	None
Oak Park Boulevard, Oak Park, MI	2 years	11,000	Annual rental increase proportional to increase in student enrollment.

The Academy has also leased equipment for its facilities under non-cancelable agreements which expire at various times through April, 2008. The leases require approximate annual rentals of $71,727.

The approximate amount of operating lease obligations coming due during the next two years are as follows:

	Building	Equipment
2007	$ 179,016	$ 11,856
2008	-	6,368

Total equipment lease expense included in the determination of net earnings for the year ended June 30, 2006 amounted to $71,725.

CHANDLER PARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 10 - Retirement Plan

All employees leased by the Academy are eligible to participate in a retirement plan established by Varner which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total amounts contributed by the Academy amounted to $123,198 for the year ended June 30, 2006.

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amount between its two major funds as follows:

	General	School Service	Capital Projects
Transfer In	$ -	$ 134,966	$ 458,639
Transfer Out	593,605	-	-

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As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the School Service Funds athletic and school lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**To the Board of Directors
of Chandler Park Academy**

We have audited the accompanying financial statements of Chandler Park Academy for the year ended June 30, 2006. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of financial statements of Chandler Park Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Croskey Lanni & Company P.C.
Croskey, Lanni & Company, P.C.

August 22, 2006
Rochester, Michigan

CHANDLER PARK ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE -
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			School Service			Debt Service			Capital Projects		
	Original Budget	**Final Budget**	**Actual**	**Original Budget**	**Final Budget**	**Actual**	**Original Budget**	**Final Budget**	**Actual**	**Original Budget**	**Final Budget**	**Actual**
Revenues												
Local sources	$ 173,200	$ 389,970	$ 69,788	$ -	$ -	$ 8,775	$ -	$ -	$ 37,345	$ -	$ -	$ -
State sources	7,292,340	7,545,660	7,544,863	-	-	-	-	-	-	-	-	-
Federal sources	546,000	467,177	452,116	-	-	228,754	-	-	-	-	-	-
Total general fund revenues	8,011,540	8,402,807	8,066,767	-	-	237,529	-	-	37,345	-	-	-
Expenditures												
Elementary school	2,364,091	2,497,218	2,124,976	-	-	-	-	-	-	-	-	-
Middle school	1,413,692	1,413,692	1,413,692	-	-	-	-	-	-	-	-	-
Compensatory education	262,356	498,992	498,992	-	-	-	-	-	-	-	-	-
General administration	100,500	96,100	55,075	-	-	-	-	-	502,870	-	-	-
Executive administration	936,642	998,859	991,733	-	-	-	-	-	-	-	-	-
Building administration	927,117	900,272	752,655	-	-	-	-	-	-	-	-	-
Lunch program	-	-	-	273,132	361,703	329,081	-	-	-	-	-	-
Business support services	606,092	603,297	597,377	-	-	-	-	-	-	-	-	-
Operations and maintenance	577,045	683,609	512,208	-	-	-	-	-	-	-	-	-
Athletic program	-	-	-	-	43,414	43,414	-	-	-	-	-	-
Field trips	8,000	17,450	17,328	-	-	-	-	-	-	-	-	-
Custody and care of children	-	51,375	51,375	-	-	-	-	-	-	-	-	-
Capital outlay	-	111,883	111,883	-	-	-	-	-	-	-	-	6,316,066
Debt principal and interest	12,584	12,584	12,584	-	-	-	-	-	267,010	-	-	-
Total expenditures	7,208,119	7,885,331	7,139,878	273,132	405,117	372,495	-	-	769,880	-	-	6,316,066
Excess (deficiency) of revenues over expenditures	803,421	517,476	926,889	(273,132)	(405,117)	(134,966)	-	-	(732,535)	-	-	(6,316,066)
Other Financing Sources (Uses)												
Proceeds from long-term debt	-	-	-	-	-	-	-	-	1,273,954	-	-	6,146,046
Proceeds from sale of capital assets	-	-	40,000	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	273,132	405,117	134,966	-	-	-	-	-	458,639
Operating transfers out	(273,132)	(405,117)	(593,605)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(273,132)	(405,117)	(553,605)	273,132	405,117	134,966	-	-	1,273,954	-	-	6,604,685
Excess of revenues and other financing sources over expenditures and other (uses)	530,289	112,359	373,284	-	-	-	-	-	541,419	-	-	288,619
Fund balance - July 1, 2005	1,231,937	1,231,937	1,231,937	-	-	-	-	-	-	-	-	-
Fund balance - June 30, 2006	$ 1,762,226	$ 1,344,296	$ 1,605,221	$ -	$ -	$ -	$ -	$ -	$ 541,419	$ -	$ -	$ 288,619

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Haverhill	Greenfield	Philip	Oak Park	Kelly	Total
Local Sources						
SVSU mini grant	$ -	$ -	$ 2,000	$ -	$ 13,100	$ 15,100
Uniform sales	-	-	4,896	-	201	5,097
Interest income	713	-	713	-	-	1,426
Other local sources	18,412	3,147	5,831	2,600	18,175	48,165
Total local sources	19,125	3,147	13,440	2,600	31,476	69,788
State Sources						
At risk	70,490	-	56,480	-	174,730	301,700
State aid	1,687,920	186,550	1,352,490	369,510	3,646,693	7,243,163
Total state sources	1,758,410	186,550	1,408,970	369,510	3,821,423	7,544,863
Federal Sources						
Federal IDEA	-	-	-	-	20,300	20,300
Title I	46,226	9,222	36,513	7,495	173,956	273,412
Title II A	9,456	1,373	19,730	213	33,451	64,223
Title II D	250	-	250	-	85,601	86,101
Title V	1,607	-	2,863	-	3,610	8,080
Total federal sources	57,539	10,595	59,356	7,708	316,918	452,116
Total general fund revenues	$ 1,835,074	$ 200,292	$ 1,481,766	$ 379,818	$ 4,169,817	$ 8,066,767

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CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Haverhill	Greenfield	Philip	Oak Park	Kelly	Total
Elementary School						
Purchased services - salaries	$ -	$ 238	$ -	$ 660	$ 1,315,154	$ 1,316,052
Purchased services - benefits	-	15,702	-	21,885	308,717	346,304
Purchased services - payroll taxes	-	5,158	-	5,997	117,366	128,521
Workshops and conferences	-	-	-	-	880	880
Professional development	-	-	-	-	3,508	3,508
Repairs and maintenance	-	-	-	-	595	595
Teaching materials	-	-	-	-	172,363	172,363
Equipment leases	-	648	-	1,695	29,468	31,811
Uniforms	-	-	-	-	2,891	2,891
Capital outlay - nondepreciable	-	-	-	-	114,995	114,995
Miscellaneous	-	7	-	-	7,049	7,056
Total elementary school	-	21,753	-	30,237	2,072,986	2,124,976
Middle School						
Purchased services - salaries	533,818	-	434,257	-	-	968,075
Purchased services - benefits	135,628	-	115,965	-	-	251,593
Purchased services - payroll taxes	53,603	-	45,320	-	-	98,923
Workshops and conferences	604	-	1,689	-	-	2,293
Teaching materials	21,394	-	13,921	-	-	35,315
Repairs and maintenance	682	-	-	-	-	682
Equipment lease	19,863	-	20,051	-	-	39,914
Uniforms	1,477	-	5,829	-	-	7,306
Transportation	2,336	-	154	-	-	2,490
Capital outlay - nondepreciable	-	-	435	-	-	435
Miscellaneous	3,299	-	3,367	-	-	6,666
Total middle school	772,704	-	640,988	-	-	1,413,692
Compensatory Education						
Purchased services - salaries	16,247	-	47,360	-	166,592	230,199
Purchased services - benefits	73	-	148	3,119	27,333	30,673
Purchased services - payroll taxes	1,820	-	3,652	657	15,205	21,334
Contracted services	30,696	9,222	23,312	7,495	24,848	95,573
Professional development	21,774	1,373	29,570	213	47,277	100,207
Supplies	3,212	-	6,474	-	9,463	19,149
Miscellaneous	1,857	-	-	-	-	1,857
Total compensatory education	75,679	10,595	110,516	11,484	290,718	498,992

See independent auditor's report on supplemental information

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CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2006

	Haverhill	Greenfield	Philip	Oak Park	Kelly	Total
General Administration						
Professional services	8,365	-	7,492	-	9,672	25,529
Advertising	11,693	-	10,534	-	7,319	29,546
Total general administration	20,058	-	18,026	-	16,991	55,075
Executive Administration						
SVSU oversight	50,638	5,597	40,575	11,085	109,400	217,295
Management fees	175,841	18,655	140,897	36,951	382,220	754,564
Board consultants	4,187	-	5,285	-	10,402	19,874
Total executive administration	230,666	24,252	186,757	48,036	502,022	991,733
Building Administration						
Purchased services - salaries	133,239	400	101,005	99	250,848	485,591
Purchased services - benefits	35,113	797	23,521	-	50,995	110,426
Purchased services - payroll taxes	13,086	776	10,166	1,473	21,997	47,498
Advertising	1,434	-	708	-	925	3,067
Travel	42	-	407	-	2,987	3,436
Conferences	-	-	48	-	504	552
Supplies and other	11,369	437	11,545	362	25,993	49,706
Postage	4,591	61	3,263	82	5,940	13,937
Repairs and maintenance	11,986	-	11,898	-	6,615	30,499
Dues and memberships	-	-	545	-	265	810
Capital outlay - nondepreciable	1,005	-	779	-	3,518	5,302
Miscellaneous	383	-	470	-	978	1,831
Total building administration	212,248	2,471	164,355	2,016	371,565	752,655
Business Support Services						
Liability insurance	7,811	4,053	7,274	1,142	23,865	44,145
Building leases	179,016	132,000	141,340	26,832	71,250	550,438
Bank fees	304	-	333	-	2,157	2,794
Total business support services	187,131	136,053	148,947	27,974	97,272	597,377

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2006

	Haverhill	Greenfield	Philip	Oak Park	Kelly	Total
Operations and Maintenance						
Cleaning service	53,050	6,300	38,091	4,989	102,900	205,330
Building and equipment repair	16,706	1,143	25,748	388	119,280	163,265
Utilities	12,697	559	11,473	1,073	93,007	118,809
Board expenses	553	-	357	-	5,085	5,995
Miscellaneous	6,539	294	4,954	-	7,022	18,809
Total operations and maintenance	89,545	8,296	80,623	6,450	327,294	512,208
Field Trips	5,039	-	5,583	-	6,706	17,328
Custody and Care of Children						
Purchased services - salaries	7,981	-	4,505	-	5,670	18,156
Purchased services - payroll taxes	319	-	150	-	88	557
Testing supplies	4,842	-	2,851	-	24,969	32,662
Total custody and care of children	13,142	-	7,506	-	30,727	51,375
Capital Outlay						
Elementary school	-	-	-	-	100,805	100,805
Middle school	7,857	-	2,394	-	-	10,251
Business administration	827	-	-	-	-	827
Total capital outlay	8,684	-	2,394	-	100,805	111,883
Debt Principal and Interest	1,190	-	1,190	-	10,204	12,584
Total general fund expenses	$ 1,616,086	$ 203,420	$ 1,366,885	$ 126,197	$ 3,827,290	$ 7,139,878

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CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES AND EXPENDITURES - SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Haverhill	Greenfield	Philip	Oak Park	Kelly	Total
Revenues						
Local sources	$ 765	$ -	$ 1,348	$ -	$ 6,662	$ 8,775
Federal sources	48,705	-	42,284	-	137,765	228,754
Total revenues	49,470	-	43,632	-	144,427	237,529
Lunch program						
Purchased services - salaries	4,743	522	5,022	-	21,105	31,392
Purchased services - benefits	128	9	145	-	568	850
Purchased services - payroll taxes	584	39	637	-	2,604	3,864
Food	72,505	2,825	54,095	-	163,550	292,975
Total lunch program	77,960	3,395	59,899	-	187,827	329,081
Athletic program	13,806	-	6,364	-	23,244	43,414
Total expenditures	91,766	3,395	66,263	-	211,071	372,495
Excess of expenditures over revenues	$ (42,296)	$ (3,395)	$ (22,631)	$ -	$ (66,644)	$ (134,966)

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CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND
AND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Debt Service	Capital Project
Revenues		
Interest	$ 37,345	$ -
General and Administration		
Loan issuance costs	502,870	-
Capital Outlay		
Building acquisition	-	5,600,000
Site acquisition services	-	109,920
Architecture and engineering services	-	48,098
Building improvements	-	558,048
Total capital outlay	-	6,316,066
Debt Principal and Interest	267,010	-
Excess of expenditures over revenues	$ (732,535)	$ (6,316,066)

See independent auditor's report on supplemental information

CLC Croskey, Lanni & Company, PC
Certified Public Accountants and Business Advisors

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David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
of Chandler Park Academy

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chandler Park Academy as of and for the year ended June 30, 2006, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chandler Park Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Chandler Park Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the board of directors and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Croskey, Lanni & Company, P.C.

Croskey, Lanni & Company, P.C.

August 22, 2006
Rochester, Michigan

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Chandler Park Academy

Harper Woods, Michigan

Audited Financial Statements

June 30, 2007

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

CONTENTS

Croskey, Lanni & Company, PC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Chandler Park Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chandler Park Academy, as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Chandler Park Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chandler Park Academy as of June 30, 2007, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chandler Park Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards,* we have also issued our report dated August 22, 2007 on our consideration of Chandler Park Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Croskey, Lanni & Company, P.C.
Croskey, Lanni & Company, P.C.

August 22, 2007
Rochester, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Chandler Park Academy's "CPA" annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

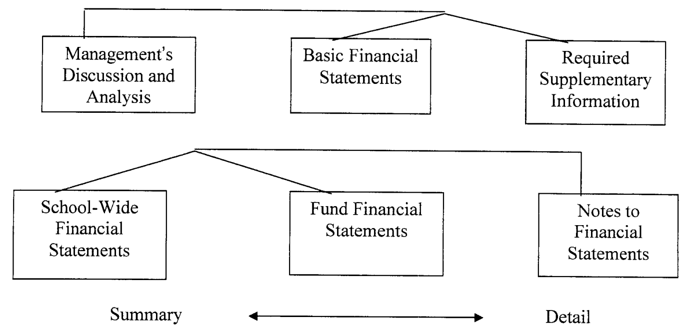
- The school's financial status remains positive.
- Revenues were at $8,686,378 while expenses were $7,715,423.
  - Blended enrollment used for state aid purpose was 977 compared to 1,009 last year.
- The school has a positive net assets balance of $2,796,700.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of CPA's Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

		Fund Financial Statements	
	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when good or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increase or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on it's most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages, see Tables A-3, A-4 and A-5.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ A strong net asset balance has been accumulated over the years

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times.

- ❖ Changes were made to account for enrollment counts and changes in assumptions since the original budget was adopted.

Financial Outlook

Chandler Park Academy's financial forecast is optimistic heading into the 2007/2008 school year.

- ❖ Chandler Park Academy will be opening a new building in 2007/2008 and enrollment will increase accordingly.

- ❖ Chandler Park Academy will be enrolling ninth graders in 2007/2008

- ❖ The State of Michigan has mentioned state aid should stay at $7,385 per student.

APPENDIX A

Table A-3
CPA's Net Assets

	2007	2006
Current and other assets	$ 4,622,142	$ 3,720,467
Capital assets	6,709,987	6,399,494
Total assets	11,332,129	10,119,961
Long-term debt outstanding	7,420,000	7,053,116
Other liabilities	1,115,429	1,241,100
Total liabilities	8,535,429	8,294,216
Net assets:		
Restricted	107,999	830,038
Unrestricted	2,688,701	995,707
Total net assets	$ 2,796,700	$ 1,825,745

Table A-4
Changes in CPA's Net Assets

	2007	2006
Revenues:		
Program revenues:		
Charges for services	$ 93,080	$ 47,546
Federal and state operating grants	1,299,529	982,467
General revenues:		
State aid – unrestricted	7,248,245	7,243,163
Miscellaneous	45,524	101,393
Total revenues	8,686,378	8,374,569
Expenses:		
Instruction	3,883,493	4,037,660
General administration	50,630	55,075
Executive administration	1,025,779	991,733
Building administration	628,924	752,655
Lunch program	349,077	329,081
Business support services	226,936	597,377
Operations and maintenance	793,825	512,208
Field trips	36,900	17,328
Before and after school programs	120,833	94,789
Unallocated depreciation/amortization	216,933	196,518
Interest on debt	382,093	340,741
Total expenses	7,715,423	7,925,165
Increase in net assets	$ 970,955	$ 449,404

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the school had invested $7,502,162 in capital assets, See Table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5
CPA's Capital Assets

	Cost	Accumulated and Depreciated	Net Book Value
Building	$ 5,600,000	$ 263,542	$ 5,336,458
Loan Issuance Costs	502,870	64,256	438,614
Leasehold Improvements	828,454	67,382	761,072
Equipment	570,838	396,995	173,843
Total	$ 7,502,162	$ 792,175	$ 6,709,987

Long-Term Debt

The Academy issued Revenue Bonds of $7,420,000 for the purchase of the Kelly site. The balance owing as of June 30, 2007 was $7,420,000.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Continuation of positive enrollment trends
- Continuation of State Aid Foundation Grant Stability

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

Chandler Park Academy, 20100 Kelly Rd., Harper Woods, Michigan 48225.

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CHANDLER PARK ACADEMY

STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets	
Cash and cash equivalents	$ 2,648,317
Due from other governmental units	1,886,588
Prepaid expenses	87,237
Total current assets	4,622,142
Facilities, Furniture and Equipment	
At cost less accumulated depreciation of $727,919.	6,271,373
Other Assets	
Capitalized loan costs less accumulated amortization of $64,256.	438,614
Total assets	$ 11,332,129

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 300,103
Notes payable	146,055
Other accrued expenses	669,271
Long-term debt - current portion	120,000
Total current liabilities	1,235,429
Long-Term Debt - Long-Term Portion	7,300,000
Net Assets	
Invested in capital assets, net of related debt	(710,013)
Restricted for debt service	592,909
Restricted for capital projects	225,103
Unrestricted	2,688,701
Total net assets	2,796,700
Total liabilities and net assets	$ 11,332,129

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
Functions	**Expenses**	**Charges for Services**	**Operating Grants**	**Government Type Activities**
Elementary school	$ 2,259,419	$ -	$ 145,247	$ (2,114,172)
Middle school	859,787	-	145,247	(714,540)
Compensatory education	764,287	-	764,287	-
General administration	50,630	-	-	(50,630)
Executive administration	1,025,779	-	-	(1,025,779)
Building administration	628,924	-	-	(628,924)
Lunch program	349,077	13,058	244,748	(91,271)
Business support services	226,936	-	-	(226,936)
Operations and maintenance	793,825	-	-	(793,825)
Athletic program	99,279	-	-	(99,279)
Field trips	36,900	-	-	(36,900)
Custody and care of children	21,554	-	-	(21,554)
Unallocated depreciation	183,408	-	-	(183,408)
Unallocated amortization	33,525	-	-	(33,525)
Unallocated interest	382,093	80,022	-	(302,071)
Total primary government	$ 7,715,423	$ 93,080	$ 1,299,529	(6,322,814)
General Purpose Revenues:				
State school aid - unrestricted				7,248,245
Miscellaneous				45,524
Total general purpose revenues				7,293,769
Excess of revenues over expenses				970,955
Net assets - July 1, 2006				1,825,745
Net assets - June 30, 2007				$ 2,796,700

See accompanying notes to financial statements

CLC

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CHANDLER PARK ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2007

ASSETS

	General	Debt Service	Capital Projects
Cash and cash equivalents	$ 1,830,305	$ 592,909	$ 225,103
Due from other governmental units	1,886,588	-	-
Prepaid expenses	87,237	-	-
Total assets	$ 3,804,130	$ 592,909	$ 225,103

LIABILITIES AND FUND BALANCES

	General	Debt Service	Capital Projects
Liabilities			
Accounts payable	$ 300,103	$ -	$ -
Notes payable	146,055	-	-
Other accrued expenses	608,124	-	-
Total liabilities	1,054,282	-	-
Fund Balance			
Reserved for debt service	-	592,909	-
Reserved for capital projects	-	-	225,103
Unreserved:			
Undesignated	2,749,848	-	-
Total liabilities and fund balances	$ 3,804,130	$ 592,909	$ 225,103

See accompanying notes to financial statements

CLC

CHANDLER PARK ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	$ 3,567,860
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $6,999,292 and the accumulated depreciation is $727,919.	6,271,373
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the asset is $502,870 and the accumulated amortization is $64,256.	438,614
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(61,147)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,420,000)
Net Assets of Governmental Activities	$ 2,796,700

See accompanying notes to financial statements

CLC

CHANDLER PARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	General	School Service	Debt Service	Capital Projects
Revenues				
Local sources	$ 45,524	$ 13,058	$ 80,022	$ -
State sources	7,715,808	12,180	-	-
Federal sources	587,218	232,568	-	-
Total governmental fund revenues	8,348,550	257,806	80,022	-
Expenditures				
Elementary school	2,259,419	-	-	-
Middle school	859,787	-	-	-
Compensatory education	764,287	-	-	-
General administration	50,630	-	-	-
Executive administration	1,025,779	-	-	-
Building administration	628,924	-	-	-
Lunch program	-	349,077	-	-
Business support services	226,936	-	-	-
Operations and maintenance	793,825	-	-	-
Athletic program	-	99,279	-	-
Field trips	36,900	-	-	-
Custody and care of children	21,554	-	-	-
Capital outlay	-	-	-	55,287
Debt principal and interest	15,209	-	366,884	-
Total expenditures	6,683,250	448,356	366,884	55,287
Excess (deficiency) of revenues over expenditures	1,665,300	(190,550)	(286,862)	(55,287)
Other Financing Sources (Uses)				
Operating transfers in	8,229	190,550	338,352	-
Operating transfers out	(528,902)	-	-	(8,229)
Total other financing sources (uses)	(520,673)	190,550	338,352	(8,229)
Excess (deficiency) of revenues and other financing sources over expenditures and other (uses)	1,144,627	-	51,490	(63,516)
Fund balance - July 1, 2006	1,605,221	-	541,419	288,619
Fund balance - June 30, 2007	$ 2,749,848	$ -	$ 592,909	$ 225,103

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds		$ 1,132,601
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation for the current period.		
Capital outlay	$ 55,287	
Depreciation expense	(183,408)	(128,121)
Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, intangible assets are capitalized and the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount of amortization for the period		
Amortization expense		(33,525)
Change in Net Assets of Governmental Activities		$ 970,955

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

ASSETS

	Agency
Cash and cash equivalents	$ 10,499
Total assets	$ 10,499

LIABILITIES

Due to student groups	$ 10,499
Total liabilities	$ 10,499

See accompanying notes to financial statements

CHANDLER PARK ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Chandler Park Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Chandler Park Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 30, 1997, and began operation in July 1997.

In May 1997, the Academy entered into a five-year contract with the Saginaw Valley State University Board of Control to charter a public school academy. The original contract was renewed for an additional five years through June, 2007. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2007 were approximately $216,500.

In September 2003, the Academy entered into a three-year agreement with Varner and Associates International, L.L.C., "Varner". The agreement was renewed for an additional three years through June, 2009. Under the terms of this agreement, Varner provides a variety of services including management, curriculum, educational programs and teacher training. The Academy is obligated to pay Varner ten percent of its state aid. The total paid for these services amounted to approximately $769,600 for the year ended June 30, 2007.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the entity does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to designate all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.

c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation's with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally, imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2007 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2007 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

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All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and school service fund budgets. The Academy originally adopted only a general fund budget, which includes traditional debt service revenues and expenditures. For the financial statement presentation these amounts are shown as a separate debt service fund. During the year ended June 30, 2007 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. During the year ended June 30, 2007 there were no expenditures in excess of amounts appropriated.

NOTE 3 - Deposits and Investments

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000 per financial institution. The Academy's uninsured and uncollateralized cash balance as of June 30, 2007 amounts to $1,799,909.

The Academy's investments at June 30, 2007 were comprised of fund shares that had a carrying and market value of $818,012. These investments are held by a trustee to be used solely for debt service on the revenue bonds as described in Note 8. The investments are in mutual funds that invest in US Treasury obligations. The Academy has not adopted a formal investment policy.

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NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units consist of the following:

State revenue	$ 1,434,088
Federal revenue	452,500
Total	$ 1,886,588

NOTE 5 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2006	Additions	Balance June 30, 2007
Building	$ 5,600,000	$ -	$ 5,600,000
Furniture and fixtures	9,943	20,340	30,283
Office equipment	7,183	-	7,183
Leasehold improvements	828,454	-	828,454
Machinery and equipment	498,425	34,947	533,372
Subtotal	6,944,005	55,287	6,999,292
Accumulated depreciation	544,511	183,408	727,919
Net book value of assets	$ 6,399,494	$ (128,121)	$ 6,271,373
Loan issuance costs	$ 502,870	$ -	$ 502,870
Accumulated amortization	30,731	33,525	64,256
Net loan issuance costs	$ 472,139	$ (33,525)	$ 438,614

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - Note Payable

The Academy has obtained a business loan through a bank amounting to $525,000. The loan was issued to provide the Academy with funds to finance school operations at the beginning of the fiscal year. The loan requires monthly payments of $49,132 including interest at 5.5% through August, 2007. Security for the loan is provided through future state school aid payments. The total amount outstanding as of June 30, 2007 was $146,055.

NOTE 7 - Accrued Expenses

Accrued expenses may be summarized as follows:

	Net Assets	Funds
Management fee	$ 156,754	$ 156,754
SVSU oversight fee	43,605	43,605
Purchased services - payroll and benefits	407,765	407,765
Interest	61,147	-
Total	$ 669,271	$ 608,124

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2006:

	Balance July 1, 2006	Additions	Retirements & Payments	Balance June 30, 2007	Due Within One Year
Revenue bonds	$ 7,420,000	$ -	$ -	$ 7,420,000	$ 120,000

The Academy has issued Revenue Bonds bearing interest at an average rate of 5% through the year ended June 30, 2035. The obligations require semi-annual interest payments due November 1st and May 1st and an annual payment of principal due November 1st beginning in 2007. The bonds are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

The following are maturities of long-term obligations for principal and interest for the next five years and in total.

	Principal	Interest
2008	$ 120,000	$ 364,724
2009	125,000	360,189
2010	125,000	355,314
2011	130,000	350,214
2012 - 2016	750,000	1,659,786
2017 - 2021	945,000	1,458,719
2022 - 2026	1,205,000	1,189,584
2027 - 2031	1,550,000	839,219
2032 - 2036	2,470,000	376,431

NOTE 9 - Operating Leases

The Academy has leased equipment for its facility under non-cancelable agreements which expire at various times through April, 2008. The leases require approximate annual rentals of $71,727.

The approximate amount of operating lease obligations coming due during the next year is as follows:

2008	$	6,368

Total equipment lease expense included in the determination of net earnings for the year ended June 30, 2007 amounted to $59,505.

NOTE 10 - Retirement Plan

All employees leased by the Academy are eligible to participate in a retirement plan established by Varner which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total amounts contributed by the Academy amounted to $135,816 for the year ended June 30, 2007.

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amount between its major funds as follows:

	General	School Service	Debt Service	Capital Projects
Transfer In	$ 8,829	$ 190,550	$ 338,352	$ -
Transfer Out	528,902	-	-	8,829

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the School Service Funds athletic and school lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
of Chandler Park Academy

We have audited the accompanying financial statements of Chandler Park Academy for the year ended June 30, 2007. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of financial statements of Chandler Park Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Croskey, Lanni & Company, P.C.

Croskey, Lanni & Company, P.C.

August 22, 2007
Rochester, Michigan

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CHANDLER PARK ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE -
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund			School Service			Debt Service			Capital Projects		
	Original Budget	**Final Budget**	**Actual**	**Original Budget**	**Final Budget**	**Actual**	**Original Budget**	**Final Budget**	**Actual**	**Original Budget**	**Final Budget**	**Actual**
Revenues												
Local sources	$ 221,750	$ 112,000	$ 45,524	$ -	$ 12,000	$ 13,058	$ -	$ -	$ 80,022	$ -	$ -	$ -
State sources	7,396,080	7,695,800	7,715,808	-	14,496	12,180	-	-	-	-	-	-
Federal sources	348,900	751,522	587,218	-	222,500	232,568	-	-	-	-	-	-
Total governmental fund revenues	7,966,730	8,559,322	8,348,550	-	248,996	257,806	-	-	80,022	-	-	-
Expenditures												
Elementary school	2,102,263	2,464,900	2,259,419	-	-	-	-	-	-	-	-	-
Middle school	797,454	912,454	859,787	-	-	-	-	-	-	-	-	-
Compensatory education	701,953	816,953	764,287	-	-	-	-	-	-	-	-	-
General administration	87,500	102,800	50,630	-	-	-	-	-	-	-	-	-
Executive administration	993,388	1,068,834	1,025,779	-	-	-	-	-	-	-	-	-
Building administration	756,414	753,810	628,924	-	-	-	-	-	-	-	-	-
Lunch program	-	-	-	309,848	379,460	349,077	-	-	-	-	-	-
Business support services	236,470	230,067	226,936	-	-	-	-	-	-	-	-	-
Operations and maintenance	757,040	1,035,550	793,825	-	-	-	-	-	-	-	-	-
Athletic program	-	-	-	113,000	113,000	99,279	-	-	-	-	-	-
Field trips	15,500	54,900	36,900	-	-	-	-	-	-	-	-	-
Custody and care of children	29,000	29,000	21,554	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	55,287
Debt principal and interest	-	15,209	15,209	-	-	-	-	-	366,884	-	-	-
Total expenditures	6,476,982	7,484,477	6,683,250	422,848	492,460	448,356	-	-	366,884	-	-	55,287
Excess (deficiency) of revenues over expenditures	1,489,748	1,074,845	1,665,300	(422,848)	(243,464)	(190,550)	-	-	(286,862)	-	-	(55,287)
Other Financing Sources (Uses)												
Operating transfers in	-	-	8,229	422,848	492,460	190,550	-	-	338,352	-	-	-
Operating transfers out	(422,848)	(492,460)	(528,902)	-	-	-	-	-	-	-	-	(8,229)
Total other financing sources (uses)	(422,848)	(492,460)	(520,673)	422,848	492,460	190,550	-	-	338,352	-	-	(8,229)
Excess (deficiency) of revenues and other financing sources over expenditures and other (uses)	1,066,900	582,385	1,144,627	-	248,996	-	-	-	51,490	-	-	(63,516)
Fund balance - July 1, 2006	1,605,221	1,605,221	1,605,221	-	-	-	541,419	541,419	541,419	288,619	288,619	288,619
Fund balance - June 30, 2007	$ 2,672,121	$ 2,187,606	$ 2,749,848	$ -	$ 248,996	$ -	$ 541,419	$ 541,419	$ 592,909	$ 288,619	$ 288,619	$ 225,103

See accompanying notes to financial statements

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CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Philip	Haverhill	Kelly	Total
Local Sources				
Other local sources	$ -	$ -	$ 45,524	$ 45,524
State Sources				
At risk	-	178,230	301,513	479,743
State aid	362,600	1,761,560	5,111,905	7,236,065
Total state sources	362,600	1,939,790	5,413,418	7,715,808
Federal Sources				
Charter School Grant	107,430	-	-	107,430
IDEA	-	-	19,405	19,405
Title I	-	49,674	375,789	425,463
Title II A	288	7,473	23,108	30,869
Title V	-	61	3,990	4,051
Total federal sources	107,718	57,208	422,292	587,218
Total general fund revenues	$ 470,318	$ 1,996,998	$ 5,881,234	$ 8,348,550

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Philip	Haverhill	Kelly	Total
Elementary School				
Purchased services - salaries	$ 475	$ -	$ 1,475,733	$ 1,476,208
Purchased services - benefits	20,754	-	414,764	435,518
Purchased services - payroll taxes	5,705	-	165,219	170,924
Workshops and conferences	-	-	5,182	5,182
Professional development	-	-	10,575	10,575
Repairs and maintenance	-	-	5,256	5,256
Teaching materials	-	-	104,531	104,531
Equipment leases	-	-	34,944	34,944
Capital outlay - nondepreciable	-	-	16,281	16,281
Total elementary school	26,934	-	2,232,485	2,259,419
Middle School				
Purchased services - salaries	-	571,544	-	571,544
Purchased services - benefits	-	151,367	-	151,367
Purchased services - payroll taxes	-	70,670	-	70,670
Workshops and conferences	-	4,520	-	4,520
Teaching materials	-	3,099	-	3,099
Equipment lease	-	18,469	-	18,469
Uniforms	-	24,561	-	24,561
Capital outlay - nondepreciable	-	1,707	-	1,707
Miscellaneous	-	13,850	-	13,850
Total middle school	-	859,787	-	859,787
Compensatory Education				
Purchased services - salaries	108,825	87,177	271,661	467,663
Purchased services - benefits	2,771	1,107	55,180	59,058
Purchased services - payroll taxes	727	5,433	28,228	34,388
Contracted services	-	-	74,648	74,648
Professional development	-	11,743	34,320	46,063
Supplies	-	1,865	80,602	82,467
Total compensatory education	112,323	107,325	544,639	764,287

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2007

	Philip	Haverhill	Kelly	Total
General Administration				
Professional services	-	9,468	8,975	18,443
Advertising	-	17,288	14,899	32,187
Total general administration	-	26,756	23,874	50,630
Executive Administration				
SVSU oversight	10,878	53,212	152,393	216,483
Management fees	36,260	189,892	543,433	769,585
Board consultants	-	9,559	30,152	39,711
Total executive administration	47,138	252,663	725,978	1,025,779
Building Administration				
Purchased services - salaries	-	109,784	275,496	385,280
Purchased services - benefits	-	27,611	63,824	91,435
Purchased services - payroll taxes	-	12,104	29,070	41,174
Advertising	-	1,648	388	2,036
Travel	-	324	505	829
Supplies and other	-	13,701	33,303	47,004
Postage	-	7,517	8,183	15,700
Repairs and maintenance	-	13,750	27,110	40,860
Dues and memberships	-	1,001	1,537	2,538
Capital outlay - nondepreciable	-	-	710	710
Miscellaneous	-	591	767	1,358
Total building administration	-	188,031	440,893	628,924
Business Support Services				
Liability insurance	-	11,065	34,095	45,160
Building leases	-	179,016	-	179,016
Bank fees	-	-	2,760	2,760
Total business support services	-	190,081	36,855	226,936

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2007

	Philip	Haverhill	Kelly	Total
Operations and Maintenance				
Cleaning service	-	73,859	123,462	197,321
Building and equipment repair	-	23,555	417,263	440,818
Utilities	179	14,740	127,437	142,356
Board expenses	-	2,615	6,828	9,443
Miscellaneous	-	3,377	510	3,887
Total operations and maintenance	179	118,146	675,500	793,825
Field Trips	-	10,733	26,167	36,900
Custody and Care of Children				
Purchased services - salaries	-	-	17,685	17,685
Testing supplies	-	-	3,869	3,869
Total custody and care of children	-	-	21,554	21,554
Debt Principal and Interest	-	2,409	12,800	15,209
Total general fund expenses	$ 186,574	$ 1,755,931	$ 4,740,745	$ 6,683,250

See independent auditor's report on supplemental information

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CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES AND EXPENDITURES - SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Philip	Haverhill	Kelly	Total
Revenues				
Local sources	$ -	$ 1,823	$ 11,235	$ 13,058
State sources	-	12,180	-	12,180
Federal sources	-	55,743	176,825	232,568
Total revenues	-	69,746	188,060	257,806
Lunch Program				
Purchased services - salaries	-	8,076	57,077	65,153
Purchased services - benefits	-	-	-	-
Purchased services - payroll taxes	-	1,393	9,299	10,692
Food	-	82,328	190,904	273,232
Total lunch program	-	91,797	257,280	349,077
Athletic Program	-	9,567	89,712	99,279
Total expenditures	-	101,364	346,992	448,356
Excess of expenditures over revenues	$ -	$ (31,618)	$ (158,932)	$ (190,550)

See independent auditor's report on supplemental information

CHANDLER PARK ACADEMY

SCHEDULE OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND
AND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Debt Service	Capital Project
Revenues		
Interest	$ 80,022	$ -
Capital Outlay		
Building improvements	-	55,287
Total capital outlay	-	55,287
Debt Principal and Interest	366,884	-
Excess of expenditures over revenues	$ (286,862)	$ (55,287)

See independent auditor's report on supplemental information

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of Chandler Park Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chandler Park Academy as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chandler Park Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chandler Park Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chandler Park Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Chandler Park Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Croskey, Lanni & Company, P.C.

Croskey, Lanni & Company, P.C.

August 22, 2007
Rochester, Michigan

APPENDIX C

SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

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SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

Definition of Public School Academy (M.C.L. § 380.501(1), 380.502(1))

A public school academy is a state-supported public school that is considered both a body corporate and a governmental agency. According to the statutes, a public school academy must be organized under Michigan's non-profit corporation act, M.C.L. §§ 450.2101 to 450.3192. A public school academy is also considered a school district for purposes of borrowing money and issuing notes and bonds pursuant to M.C.L. § 380.1225 and 380.1351a, respectively, and it is subject to the leadership and general supervision of the state board of public education. The state board of education is responsible for issuing an annual comprehensive report evaluating public school academies to the house and senate committees on education. See M.C.L. § 380.501a.

Sponsors of and Applicants for Public School Academies (M.C.L. § 380.502)

Charter contracts may be issued by any one of the following authorizing bodies: (i) local school districts, (ii) intermediate school districts, (iii) community colleges, and (iv) state public universities. Any person interested in operating a public school academy may apply to an authorizing body.

Currently, there is a cap on the number of charter contracts that can be issued by state public universities. The number of contracts for public school academies issued by all state public universities is 150. The number of contracts issued by any one state university shall not exceed 50% of the maximum total that may be issued by state universities.

Method of Establishment and Oversight of Public School Academies (M.C.L. § 380.502(3-7))

When a person applies for a contract to operate a public school academy, the application must: (1) identify the applicant; (2) list the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of the board of directors; (3) include a copy of the proposed articles of incorporation for the public school academy, including (i) the name of the proposed public school academy, (ii) the purposes of the public school academy, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary; (4) include a copy of the proposed bylaws of the public school academy; (5) document the requirements of the authorizing body, including (i) the governance structure of the public school academy, (ii) a copy of the educational goals of the public school academy, the curricula to be offered, and the methods of pupil assessment, (iii) the admission policy and criteria to be maintained, (iv) the school calendar and school day schedule, and (v) the age or grade range of pupils to be enrolled; (6) describe staff responsibilities and the governance structure; (7) identify the local and intermediate school districts in which the public school academy will be located; (8) agree that the public school academy will comply with all applicable state and federal laws; (9) for an application to a school district, assure that employees of the public school academy will be covered by collective bargaining agreements that apply to other public employees in schools; and (10) describe and identify the address where the public school academy will be located.

An authorizing body that issues a contract for a public school academy must oversee the public school academy to ensure that the public school academy is in compliance with statutes, rules, and the terms of the contract. If an authorizing body grants a charter contract, it may charge a fee that does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged. An authorizing body may contract with a public school academy for other services in addition to the oversight services.

Legal Status of Public School Academy (M.C.L. § 380.501, 380.503b)

A public school academy is a body corporate, a governmental agency, a public school, and is considered a school district under certain provisions of State law. If a public school academy enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State of Michigan or the authorizing body. The State or an authorizing body is not liable for any debt incurred by a public school academy.

Public School Academy Funding (§ 388.1601 et. seq.; § 141.2101 et. seq.)

A public school academy receives funding through the per pupil base foundation, as calculated in Michigan's State School Aid Act, M.C.L. § 388.1601 et. seq. The School Aid Act currently provides that pupil membership is based upon a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. A public school academy's State School Aid is sent directly to the academy's authorizing body, which takes its 3% fee and then forwards the remainder of the aid payments to the public school academy. Pursuant to the State School Aid Act, a school district receives its annual State School Aid entitlement in eleven equal installments on dates in October through August, subject to certain statutory adjustments. By law, a public school academy's State School Aid payment must not exceed the per-pupil base foundation received by the local school district in which the public school academy is located.

A public school academy may not charge tuition and may not levy taxes. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow. A public school academy may borrow money and may issue bonds in accordance with the Revised School Code, M.C.L. § 380.1 et. seq., and the Revised Municipal Finance Act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Authorizing Body's Duties With Respect to State School Aid Payments (M.C.L. § 380.507)

The authorizing body for a public school academy is the fiscal agent for the public school academy; therefore, it receives state school aid payments on behalf of the public school academy and then forwards such aid payments to the public school academy (less a fee that it may charge which does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged).

Withholding payment; plan for financing outstanding obligation defaulted upon by a public school academy; use of amounts withheld; agreement assigning or pledging payment (M.C.L. § 388.1617a)

The Michigan Department of Treasury may withhold all or part of any payment of State School aid that a public school academy is entitled to receive to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101, *et al*, or other statutory authority, for financing an outstanding obligation upon which the public school academy defaulted. Amounts withheld shall be used to pay, on behalf of the public school academy, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the public school academy defaulted.

Under an agreement entered into by a public school academy assigning all or a portion of the payment of State School aid that it is eligible to receive to a trustee of a pooled arrangement, such as the Issuer, or pledging the amount for payment of an obligation it incurred with a trustee of a pooled arrangement, the state treasurer shall transmit to the trustee of a pooled arrangement the amount of the payment of the State School aid that is assigned or pledged under the agreement. This section does not require the State of Michigan to make an appropriation to any public school academy and shall not be construed as creating an indebtedness of the State of Michigan, and any agreement made pursuant to this section shall contain a statement to that effect.

Deficit Budget or Operating Deficit (M.C.L. § 388.1702)

Michigan law provides that a public school academy receiving State School aid shall not adopt or operate under a deficit budget, or incur an operating deficit in any fund, during a school fiscal year. Where a public school academy has an existing deficit or incurs a deficit fund balance, such public school academy shall not receive payments under the School Aid Act until it submits to the Michigan Department of Education (the "Department") a budget for the current school fiscal year and a plan for the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. In addition, a public school academy with an existing deficit or which incurs a deficit shall submit to the Department a monthly monitoring report on revenue and expenditures in a form prescribed by the Department. Any State School Aid payments that have been withheld from a public school academy due to a deficit will be released to the public school academy after the Department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced.

Revocation of Charter (M.C.L. § 380.507)

A charter contract may be revoked by the authorizing body for the following reasons: (1) failure of the public school academy to abide by and meet the educational goals set forth in the contract, (2) failure of the public school academy to comply with all applicable law, (3) failure of the public school academy to meet generally accepted public sector accounting principles, and (4) any other grounds for revocation as specified in the charter contract. The decision to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency.

Issuance of Contracts (M.C.L. § 380.503)

Public school academy contracts shall be issued on a competitive basis, while taking the following into consideration: (1) the resources available for the proposed public school academy, (2) the population to be served by the public school academy, and (3) the educational goals to be achieved by the public school academy. With respect to applications to a local school district, if the board denies an application for a public school academy contract, the person who applied for the contract may petition the board to place the question of the issuance of the contract on a ballot to be decided by the school electors of the school district. The petition must contain the same requirements that are to be included in an application for a charter contract and must be signed by at least 15% of the school electors in that school district.

Within 10 days of issuing a contract for a public school academy, the authorizing body must submit to the superintendent of public instruction a copy of the contract and application. The authorizing body must also adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction.

A public school academy contract must include the following: (1) the educational goals of the public school academy and methods by which it will be held accountable (at a minimum, the pupil performance must be assessed using a Michigan educational assessment program ("MEAP") test or an assessment instrument developed under Michigan's Revised School Code); (2) the method to be used to monitor the public school academy's compliance with applicable laws and its performance in meeting its educational objectives; (3) a description of the process for amending the contract during the term of the contract; (4) all the matters required to be included in the application to an authorizing body for a charter contract; (5) for public school academies authorized by a school district, an agreement that the employees of the public school academy will be covered by any collective bargaining agreements that apply to the employees of the school district; (6) procedures and grounds for revoking the contract; (7) a description and address of the physical plant in which the public school academy will be located; and (8) requirements and procedures for financial audits, which are to be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

Among the laws with which public school academies must comply are Michigan's Revised School Code, Michigan's State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act, and other state and federal laws applicable to public school academies.

Public school academies and their board members, officers and staff have governmental immunity. Public school academies may acquire, hold, and own in their own name buildings and other property for school purposes and may condemn property if certain conditions are met. Public school academies are exempt from all taxation on their earnings and property. They may not levy ad valorem property taxes or any other taxes for any purpose.

Tuition and Admission at Public School Academies (M.C.L. § 380.504)

A public school academy may not charge tuition and may not discriminate in its pupil admissions policies or practices based on race, disability, religion, gender, test scores, intellectual or athletic ability, measures of achievement or aptitude, or any other basis prohibited by law. However, a public school academy may predetermine the ages, grades, and number of students it will serve. If the number of applications to enroll in the public school academy exceeds the school's enrollment capacity, the public school academy shall use a random selection process for selecting pupils. Public school academies may operate any grades from kindergarten through grade 12 and may also operate early childhood education programs, an adult basic education program, adult high school completion program, or general educational development testing preparation program.

Additional Powers of Public School Academies (M.C.L. § 380.504a, 380.506)

In addition to other powers, a public school academy may take action to carry out its educational mission. For that purpose, a public school academy has the power to: (i) sue and be sued, (ii) acquire, hold, and own in its own name real and personal property for educational purposes, and sell or convey the property, (iii) receive, disburse, and pledge funds for lawful purposes, (iv) enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy, (v) incur temporary indebtedness as authorized by state statutes, (vi) solicit and accept grants or gifts for educational purposes and establish non-profit corporations for the purpose of assisting the public school academy in furtherance of its public purposes, and (vii) borrow money and issue bonds in accordance with relevant state statutes.

Bonds issued by a public school academy are full faith and credit obligations of the public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued by a public school academy are subject to the revised municipal finance act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Public school academies, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

Teachers and Noncertified Individuals (M.C.L. § 380.505)

Teachers in public school academies are subject to the same certification requirements as traditional public schools, with two exceptions. First, public school academies authorized by a state university may use as a classroom teacher a faculty member who is employed full-time by the university and has institutional tenure or is designated as being on tenure track. Second, public school academies authorized by a community college may use as a classroom teacher a full-time faculty member who has at least five years experience in teaching the subject matter he or she is teaching at the public school academy. Public school academies may develop and implement new teaching techniques or make significant revisions to known techniques. Public school academies must report these practices to the authorizing body and the state board.

THE CHARTER SCHOOL LAWS AND SCHOOL AID ACT ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE SCHOOL AID HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE AUTHORITY INDENTURE AND THE FINANCING AGREEMENT

The following is a summary of certain provisions of the Authority Indenture and the Financing Agreement, and of definitions of certain terms used therein and in this Official Statement. Reference is made to the Authority Indenture and the Financing Agreement for a complete statement of the provisions of such documents. Until the date of delivery of the Bonds (defined below as the "Authority 2008 Bonds"), the provisions of these documents are subject in all respects to changes, deletions and variations therein and thereafter to supplementation and amendment in accordance with their terms. Except as otherwise defined herein, the terms defined or used in this Summary which are defined in the Indenture (defined below as the "Authority Indenture") and the Financing Agreement shall have the same meanings in this Summary as in those respective documents.

DEFINITIONS OF CERTAIN TERMS USED IN THE AUTHORITY INDENTURE AND THE FINANCING AGREEMENT

"Academy" means Chandler Park Academy, a public school academy, organized and existing under the laws of the State of Michigan, and its successors and assigns.

"Academy Funded Reserve Account" means the account by that name established within the Reserve Fund pursuant to the Authority Indenture funded by Authority Series 2008 Bond proceeds and Additional Authority Bond proceeds or other funds of the Academy.

"Academy Repayments" means all amounts required to be paid by the Academy or the Academy Trustee to the Authority (and the Authority Trustee as the assignee of the Authority) pursuant to the Financing Agreement and the Academy 2008 Bonds.

"Academy Reserve Fund Requirement" means an amount equal to the Reserve Fund Requirement less the Authority Contribution.

"Academy Indenture" means the Trust Indenture, dated as of August 9, 2005 between the Academy and the Academy Trustee, entered into in connection with the issuance of the Academy 2005 Bonds.

"Academy Trustee" means U.S. Bank National Association, in its capacity as trustee under the Academy Indenture and the First Supplemental Indenture.

"Academy 2008 Bonds" means the School Building and Site Bonds, Series 2008, of the Academy dated August 1, 2008.

"Academy 2005 Bonds" means the $7,420,000 Chandler Park Academy Public School Academy Revenue Bonds, Series 2005.

"Additional Authority Bonds" means the additional bonds which are authorized to be issued in one or more series from time to time under the Authority Indenture.

"Additional Payments" means all payments required of the Academy under the Financing Agreement (including, but not limited to, Fee Payments and Reserve Fund Payments) other than Bond Payments.

"Authority" means the Michigan Public Educational Facilities Authority, created pursuant to the Enabling Legislation, or any successor to its rights and obligations under the Financing Agreement and the Authority Indenture.

"Authority Bond" or "Authority Bonds" means the Authority 2008 Bonds and any Additional Authority Bonds authorized to be issued under the Authority Indenture.

"Authority Bondholder" or "holder" (when used in reference to Authority Bonds) means the Registered Owner of any Authority Bond.

"Authority Contribution" means an amount equal to the initial amount of the Grant Funds.

"Authority Funded Reserve Account" means the account by that name established within the Reserve Fund pursuant to the Authority Indenture funded by Grant Funds or other funds of the Authority authorized to be used for such purpose by the Executive Director or other authorized officer of the Authority.

"Authority Indenture" means the Trust Indenture between the Authority and U.S. Bank National Association, a national banking association, as trustee, dated as of August 1, 2008, as the same may be amended or supplemented in accordance with its terms.

"Authority Project Fund" means the Authority Project Fund established pursuant to the Authority Indenture.

"Authority Security" means the revenues (including Academy Repayments), funds, rights and interests specified in the Authority Indenture, as described under "THE INDENTURE–Security" below.

"Authority Trustee" means U.S. Bank National Association, a national banking association, acting in its capacity as the trustee under the Authority Indenture, and any permitted successor trustee under the Authority Indenture.

"Authorizer" means the Saginaw Valley State University Board of Control.

"Beneficial Owner" means, when the Authority Bonds are held in a book-entry only system, the owner of an Authority Bond or portion thereof for federal income tax purposes.

"Bond Counsel" means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

"Bond Fund" means the Bond Fund established under the Authority Indenture.

"Bond Payment Date" means any of the dates specified in the Authority Indenture for payment of principal of and interest on the Authority Bonds, i.e., the first day of May and November of each year with respect to interest, commencing November 1, 2008 and the first day of November with respect to principal, commencing November 1, 2009, all in the years shown in the Authority Indenture, until the respective Bonds are paid in accordance with their terms.

"Bond Payments" means the amounts payable by the Academy under its Academy 2008 Bond, as set forth in the Financing Agreement, allocable to the repayment of principal of, or interest or redemption under the Academy 2008 Bond and which do not include the Fee Payments.

"Bond Register" means the books of the Authority kept by the Authority Trustee to evidence the registration, transfer and exchange of Bonds.

"Charter" means the Academy's contract with its Authorizer, together with its articles of incorporation and bylaws.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the Internal Revenue Code of 1954, as amended.

"Costs of Issuance" means Underwriter's discount, underwriting fees, printing charges, credit enhancement or liquidity facility fees and related charges, trustee fees, bond counsel fees, Academy counsel fees, and other counsel fees and issuance fees of the Authority.

"Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Default" and "Event of Default" means those defaults and events of default, respectively, specified and defined in the Financing Agreement.

"Earnings" means investment income consisting only of such interest and dividends derived from the investment of moneys deposited in the Authority Funded Reserve Account of the Reserve Fund.

"Eligible Investments" shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(A) with respect to all funds and accounts other than the Authority Funded Reserve Account:

(a) Government Obligations;

(b) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and (c) are secured by cash and/or Government Obligations;

(c) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor's Ratings Services;

(d) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services;

(e) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Authority Trustee under the Authority Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(f) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor (including the Authority Trustee and its affiliates), or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars ($50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by Standard & Poor's Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(g) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks (including the Authority Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Authority Trustee may conclusively rely upon the Authority's instructions as to compliance with such act;

(h) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Standard & Poor's Ratings Services;

(i) To the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such agencies) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(j) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. Sections 80a-1 to 80a-64 (including those for which the Authority Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise), so long as the portfolio of the investment company or investment trust is limited to (i) United States government obligations and repurchase agreements fully collateralized by United States government obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least AAAm or AAAm-G by Standard & Poor's Ratings Services; and

(B) With respect to the Authority Funded Reserve Account:

(a) Obligations issued or guaranteed by the United States Government;

(b) Obligations of agencies or instrumentalities of the United States, including government-sponsored enterprises;

(c) Obligations issued by or guaranteed by any state, *provided* such obligations are rated in the two highest rating categories of Moody's, S&P or Fitch;

(d) Commercial paper, repurchase agreements, guaranteed investment contracts or other similar instruments issued by corporations that are organized and operating within the United States having assets in excess of $500 million and having a short-term rating in the highest rating category of Moody's S&P's or Fitch, and a long-term rating in one of the two highest rating categories;

(e) Money Market funds that invest solely in United States Government securities or obligations of agencies or instrumentalities of the United States;

(f) Money market fund deposits or certificates of deposit made in federally insured, regulated credit unions or banks, to the extent fully insured or collateralized with investments under categories (a) through (e); and

(g) Such other investment securities as the Secretary of the United States Department of Education may determine are prudent investments that comply with applicable law and regulations, as evidenced by a written certificate of the Authority to that effect. The Authority Trustee may conclusively rely on a written certificate of the Authority as to the eligibility of such additional investment options.

Ratings of Eligible Investments referred to in the Authority Indenture shall be determined at the time of purchase of such Eligible Investments and without regard to ratings subcategories. The Authority Trustee shall have no responsibility to monitor the ratings of Eligible Investments after the initial purchase of such Eligible Investments.

"Enabling Legislation" shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

"Financing Agreement" or "Agreement" means the Financing Agreement between the Authority and the Academy, dated as of August 1, 2008, as the same may be amended or supplemented in accordance with its terms and the terms of the Authority Indenture.

"First Supplemental Indenture" means the First Supplemental Trust Indenture, dated as dated as of August 1, 2008 between the Academy and the Academy Trustee, entered into in connection with the issuance of the Academy 2008 Bonds.

"Government Obligations" means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, (iii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (i) and (ii) provided that such obligations are held in the custody of a bank or trust company satisfactory to the Authority Trustee in a special account separate from the general assets of such custodian, and (iv) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (i), (ii) or (iii); provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

"Grant Funds" means funds obtained by the Authority from a grant obtained from the United States Department of Education which the Authority has determined to use to fund the Authority Funded Reserve Account of the Reserve Fund in an initial amount of $500,000.

"Interest Payment Date" means each May 1 and November 1 of each year commencing November 1, 2008.

"Investment Income" means the earnings and profits derived from the investment of moneys in the Authority Project Fund, the Academy Funded Reserve Account of the Reserve Fund and Bond Fund pursuant to the Authority Indenture.

"Management Consultant" means a person or firm of persons, experienced in the study of operations of charter schools and, in the reasonable judgment of the Academy, having a favorable reputation in the State for skill and experience in such work, selected and employed by the Academy and acceptable to Authority Trustee.

"Mortgage" means the Amended and Restated Mortgage dated as of August 1, 2008, in favor of the Academy Trustee, as mortgagee and providing a first lien on the real property and improvements financed with the Academy 2008 Bonds and the Academy 2005 Bonds.

"Non-Arbitrage Certificate" means, collectively, the Non-Arbitrage and Tax Compliance Certificate delivered by the Authority and the Tax Certificate of the Academy in connection with the initial delivery of the Authority 2008 Bonds.

"Outstanding," when used with reference to the Authority Bonds at any date as of which the amount of outstanding Authority Bonds is to be determined, means all Authority Bonds which have been authenticated and delivered by the Authority Trustee under the Authority Indenture, except:

(a) Authority Bonds canceled or delivered for cancellation at or prior to such date;

(b) Authority Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Authority Trustee (whether on or prior to the maturity or prepayment date of any such Authority Bonds); provided, however that if such Authority Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Authority Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Authority Trustee shall have been filed with the Authority Trustee;

(c) Authority Bonds in substitution for which other Authority Bonds have been authenticated and delivered pursuant to the Authority Indenture; and

(d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of Outstanding Authority Bonds under the Authority Indenture, all Authority Bonds held by or for the account of the Authority or the Academy, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Authority Trustee shall be obligated to consider as not being Outstanding only Authority Bonds of which the Authority Trustee has actual notice to be so held.

"Payment Date" shall mean the 20th day of each January, February, March, April, May, June, July, August, November and December, commencing August 20, 2008 (or if such day shall not be a Business Day, the next succeeding Business Day), unless otherwise adjusted in accordance with the requirements of the Financing Agreement.

"Rating Agency" means Moody's Investors Service and/or Standard & Poor's Ratings Service and/or Fitch Ratings or their successors and assigns, according to which of such rating agencies then rates the Authority Bonds; and provided that if neither of such rating agencies then rates the Authority Bonds, the term "Rating Agency" shall be deemed to refer to any nationally recognized securities rating agency.

"Registered Owner" means, in connection with an Authority Bond, the person in whose name the Authority Bond is registered on the books of the Authority as kept by the Authority Trustee pursuant to the Authority Indenture.

"Reserve Fund" means the debt service reserve fund established pursuant to the Authority Indenture.

"Reserve Fund Payments" means all payments required of the Academy to replenish any deficiency in the Reserve Fund pursuant to the Financing Agreement.

"Reserve Fund Requirement" means an amount equal to $659,322.50.

"Scheduled Installment Payment" means the scheduled amounts payable by the Academy as set forth in the Financing Agreement, which consist of a principal component, an interest component, and a fee payment component.

"School Aid Act" means Act 94, Public Acts of Michigan, 1979, as amended.

"School Code" " means the Revised School Code, Act 451, Public Acts of Michigan 1976, as amended.

"Site" means the real property described in the Financing Agreement.

"State" means State of Michigan.

"State Aid Agreement" means the Amended and Restated State Aid Agreement dated as of August 1, 2008 among the State Treasurer of the State of Michigan, the Authority, the Academy, the Authorizer, and U.S. Bank National Association, as depository, Academy Trustee, and Authority, in furtherance of the pledge contained in the Financing Agreement.

"State Aid Intercept Account" means the account by that name established within the Bond Fund pursuant to the Authority Indenture.

"State School Aid" means state school aid payments made to the Academy pursuant to the School Aid Act.

"2008 Project" means the acquisition of an existing school facility (formerly Regina High School) located at 20200 Kelly Road, Harper Woods, Michigan and certain renovations to and equipping of the school facility.

"2005 Project" means the acquisition of an existing school facility (formerly Lutheran High School East) at 20100 Kelly Road, Harper Woods, Michigan and certain renovations to and equipping of the school facility.

"Unassigned Rights" means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under the Financing Agreement and to enforce in its name and for its own benefit certain provisions of the Financing Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

THE AUTHORITY INDENTURE

Authority Covenants

The Authority represents and covenants under the Authority Indenture as follows:

(a) The Authority shall promptly pay, but only out of the Authority Security, the principal of, redemption premium, if any, and interest on the Authority Bonds at the place, on the dates and in the manner provided in the Authority Bonds. The Authority shall promptly perform and observe all covenants, undertakings and obligations set forth in the Authority Indenture, in the Financing Agreement or the Authority Bonds on its part to be performed or observed. The Authority agrees that the Authority Trustee in its name or in the name of the Authority may enforce against the Academy or any person any rights of the Authority under or arising from the Authority Bonds or the Financing Agreement whether or not the Authority is in default under the Authority Indenture or under the Financing Agreement.

(b) The Authority represents and warrants that (i) it is duly authorized under the Constitution and laws of the State to issue the Authority Bonds, and to execute, deliver and perform the terms of the Authority Indenture; (ii) all action on its part for the issuance of the Authority Bonds and the Authority Indenture have been duly taken; (iii) the Authority Bonds upon issuance and authentication and the Authority Indenture upon delivery, shall be valid and enforceable against the Authority in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights and by general principles of equity; (iv) it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Authority Security; (v) it has not received any payments under the Financing Agreement and the entire principal balance remains Outstanding; (vi) it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement, and (vii) the execution, delivery and performance of the Authority Indenture are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound.

(c) The Authority represents and warrants that (i) no litigation or administrative action of any nature has been served upon the Authority for the purpose of restraining or enjoining the issuance or delivery of the Authority Bonds or the execution and delivery of the Authority Indenture or the Financing Agreement or in any manner questioning the proceedings or authority under which they have occurred, or affecting their validity or its existence or authority of its present officers; (ii) no authority or proceeding for the issuance of the Authority Bonds or for the payment or security thereof has been repealed, revoked or rescinded; (iii) no petition seeking to initiate any resolution or other measure affecting the same or the proceedings therefore has been filed and (iv) to the best of the knowledge of the officers of the Authority executing the Authority Indenture, none of the foregoing actions is threatened.

(d) The Authority covenants that it will cooperate to the extent necessary with the Academy and the Authority Trustee in defense of the Authority Security against the claims and demands of all persons, and will do, execute, acknowledge and deliver or cause to be done, such indentures supplemental to the Authority Indenture and such further acts, instruments and transfers as the Authority Trustee may reasonably require for the better pledging of the Authority Security. The Authority shall not cause or permit to exist any amendment, modification, supplement, waiver or consent with respect to the Financing Agreement without the prior written consent of the Authority Trustee, which consent shall be governed by the Authority Indenture.

(e) The Authority covenants that except as otherwise provided in the Authority Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Authority Security.

(f) No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Authority Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Authority Indenture or the Bond Purchase Agreement, against any past, present or future member, official, officer, director or employee of the Authority, or any successor organization, as such, either directly or through the Authority or any successor organization, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, official, officer, director, agent or employee as such is expressly waived and released as a condition of and in consideration for the execution of the Authority Indenture and the issuance of the Authority Bonds.

(g) No director, member, officer or employee of the Authority, including any person executing the Authority Indenture or the Authority Bonds, shall be liable personally on the Authority Bonds or subject to any personal liability for any reason relating to the issuance, sale or repayment of the Authority Bonds.

Security

The Bonds, together with interest thereon and redemption premium with respect thereto, are limited obligations of the Authority secured by the Financing Agreement, are and shall always be payable solely from the revenues and income derived from the Financing Agreement (except to the extent paid out of moneys attributable to proceeds of the Authority Bonds or the income from the temporary investment thereof), are and shall always be a valid claim of the holders thereof only against the revenues and income derived from the Financing Agreement and from other instruments assigned to or held by the Authority Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Authority Bonds, except as may be expressly authorized otherwise in the Authority Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or a general obligation of the State of Michigan or the Authorizer, or a general obligation of the Authority, within the purview of any constitutional or statutory limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Authority Security, and shall be payable solely from the revenues and income derived from the Financing Agreement. No owner of the Authority Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan or any political subdivision thereof to pay any principal installment of, premium, if any, or interest on the Authority Bonds. The Authority has no taxing power.

The Authority 2008 Bonds and the interest thereon shall be a limited obligation of the Authority as described above, and shall be secured by and payable only from the following:

a) all Academy Repayments received by the Authority under the Financing Agreement and the Academy 2008 Bond, which Academy Repayments are to be paid directly by the Academy to the Authority Trustee and deposited in the Bond Fund;

b) all moneys and securities in the Bond Fund, the Reserve Fund and the Authority Project Fund, including the proceeds of the Authority Bonds pending disbursement thereof pursuant to the Authority Indenture;

c) all of the Authority's rights and interest in the Financing Agreement (except Unassigned Rights), and as holder of the Academy 2008 Bonds, including without limitation, an interest in the First Supplemental Indenture and the security described therein, including, without limitation, the Mortgage, pari passu with the Academy 2005 Bonds and any additional bonds which may be issued under the Academy Indenture or the First Supplemental Indenture; and

d) all of the proceeds of the foregoing, including without limitation, investments thereof and Investment Income

The foregoing are collectively the "Authority Security" and, in consideration of the purchase of the Authority 2008 Bonds and the obligations of the Authority Trustee under the Authority Indenture; and to secure payment of the principal, premium, if any, and interest in the Authority 2008 Bonds and the performance of the Authority's obligations under the Authority 2008 Bonds and the Authority Indenture, the Authority conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in the Authority Security to the Authority Trustee, and its successors and assigns in trust for the benefit of the Authority Bondholders.

Additional Bonds

The Authority reserves the right to and may, but shall not be required to, issue Additional Authority Bonds upon the request of the Academy, without limit in one or more series for the purposes set forth in, and subject to the requirements of, the Financing Agreement and the Authority Indenture. Additional Authority Bonds shall be of the same priority as the Authority 2008 Bonds, and all Authority Bonds issued under the Authority Indenture shall be equally and ratably payable from and secured by the Authority Security, but the Additional Authority Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Authority Bonds shall be issued unless the Academy provides a certificate to the Authority Trustee confirming that the aggregate annual debt service on the Authority Bonds, any Additional Authority Bonds proposed to be issued, the Academy 2005 Bonds, and other outstanding long-term indebtedness of the Academy secured by State School Aid does not exceed in any fiscal year of the Academy, twenty percent (20%) of the amount of the State School Aid projected to be payable to the Academy by the State in such fiscal year. For purposes of computing future projections of State School Aid, such certificate shall use the amount of State School Aid paid to the Academy for the Academy's most recently completed fiscal year. In addition, the Authority Trustee must receive certification from the Academy Trustee to the effect that all requirements for issuance of additional bonds under the First Supplemental Indenture have been satisfied.

Authority Project Fund

The Authority Indenture establishes an Authority Project Fund with the Authority Trustee. Net proceeds of the Authority Bonds not otherwise deposited in the Bond Fund and the Reserve Fund shall be deposited in the Authority Project Fund. The Authority Trustee is authorized and directed to make disbursements from the Authority Project Fund on any requisition certificate meeting the requirements of the Financing Agreement. Moneys in the Authority Project Fund shall be held in trust by the Authority Trustee and, pending application to pay 2008 Project costs shall be held as trust fund under the Authority Indenture. The Authority Trustee shall keep and maintain adequate records pertaining to the Authority Project Fund and all receipts and disbursements pertaining thereto, and shall furnish monthly statements with respect thereto to the Academy and the Authority. Upon receipt of the completion certificate in the form required by the Financing Agreement, the Authority Trustee shall deposit the Surplus Bond Proceeds, if any, in the Bond Fund to be used to pay principal or interest of the Authority Bonds on the next available Bond Payment Date.

Bond Fund

The Authority Indenture establishes a Bond Fund with the Authority Trustee. Within the Bond Fund there shall be established separate trust accounts to be designated the "Revenue Account" and the "State Aid Intercept Account." There shall be deposited in the State Aid Intercept Account of the Bond Fund Academy Repayments under the Academy 2008 Bond and the Financing Agreement, consisting of Scheduled Installment Payments and Additional Payments (including Reserve Fund Payments) made pursuant to the State Aid Agreement and any other funds received pursuant to the State Aid Agreement. There shall be deposited in the Revenue Account of the Bond Fund all other moneys received by the Authority Trustee for deposit in the Bond Fund.

There shall be deposited in the Revenue Account of the Bond Fund (a) any proceeds of the Authority 2008 Bonds required to be deposited in the Bond Fund pursuant to the Authority Indenture to pay accrued interest or capitalized interest, if any, on the Authority 2008 Bonds; (b) all Academy Repayments under the Academy 2008 Bond and the Financing Agreement, other than Scheduled Installment Payments, including all proceeds resulting from the enforcement of the Authority Security or its realization as collateral (c) Investment Income transferred from the Reserve Fund; and (d) all other moneys received by the Authority Trustee under the Financing Agreement or the Authority Indenture for deposit in the Revenue Account of the Bond Fund, including Surplus Bond Proceeds, if any.

There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Academy 2008 Bonds and the Financing Agreement consisting of Scheduled Installment Payments and Additional Payments which are made pursuant to the State Aid Agreement.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(a) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Bond Payments required to be made by the Academy;

(b) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payments required to be made by the Academy;

(c) third, as specified in the Financing Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments (other than Reserve Fund Payments) required to be made by the Academy (the Authority Trustee being permitted but not required to establish a subaccount for purposes of tracking Fee Payments under the Financing Agreement); and

(d) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Scheduled Installment Payments and Additional Payments (including Reserve Fund Payments, if any) then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Authorizer or as otherwise directed by the Academy.

The Authority authorizes and directs the Authority Trustee, and the Authority Trustee agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Authority Bonds as the same become due and payable. The Authority and Authority Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in the Authority Indenture.

After payment of all principal of, premium, if any, and interest on the Authority Bonds then due as of each November 1 and satisfaction of any other Additional Payments then due, the Authority Trustee shall determine the amount of excess funds then held in the Bond Fund as a result of such Investment Income and credit such amount towards the Scheduled Installment Payment to be paid from the Academy's State School Aid intercepted on the next Payment Date.

In the event any Authority Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Authority Bonds shall have been made available to the Authority Trustee for the benefit of the Authority Bondholders, all liability of the Authority and any and all liability of the Academy to the Authority Bondholders, respecting payment of such Authority Bonds shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Authority Trustee to hold such funds, without liability for interest thereon, for the benefit of the Authority Bondholders who shall thereafter be restricted exclusively to such funds for any claim under the Authority Indenture or with respect to the Authority Bonds or the interest thereon.

Reserve Fund

The Authority Indenture establishes a Reserve Fund with the Authority Trustee. Within the Reserve Fund, there shall be established separate trust accounts to be designated the "Academy Funded Reserve Account" and the "Authority Funded Reserve Account." The Academy Funded Reserve Account is to be funded by proceeds of the Authority 2008 Bonds in an amount equal to $659,322.50. The Authority Funded Reserve Account is to be funded on the date of issuance of the Authority Bonds by a contribution by the Authority of Grant Funds in the amount of $500,000. The Reserve Fund shall receive from time to time moneys required to be deposited therein by the Academy pursuant to the Financing Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Authority 2008 Bonds as the same become due, the Authority Trustee shall withdraw pari passu, on a pro rata basis, from the various accounts in the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal of, premium, if any, and interest then due on the Authority 2008 Bonds.

Earnings realized from Eligible Investments in the Authority Funded Reserve Account of shall be released to the Authority, free and clear of the lien of the Authority Indenture on the Business Day before each May 1 and November 1 without regard to whether the aggregate amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement and on the business bay before payment or defeasance of all Authority Bonds in accordance with the Authority Indenture. Investment Income realized from Eligible Investments in the Academy Funded Reserve Account of the Reserve Fund shall be transferred to the Bond Fund on or after each May 1 and November 1, unless the amount on deposit in the Reserve Fund (after taking into account the Earnings released or to be released to the Authority from the Authority Funded Reserve Account), is less than the Reserve Fund Requirement, in which case, Investment Income on the Academy Funded Reserve Account shall be retained in the Academy Funded Reserve Account until the aggregate amount on deposit in the Reserve Fund equals the Reserve Fund Requirement. Monies from the proceeds of the Authority 2008 Bonds or Additional Authority Bonds held in the Academy Funded Reserve Account in excess of the amount equal to the difference between the Reserve Fund Requirement and the amount on deposit in the Authority Funded Reserve Account shall be transferred by the Authority Trustee to the credit of the Revenue Account of the Bond Fund to be used to pay principal or interest on the Authority Bonds on the next available Bond Payment Date.

Investment of Funds

Any moneys held as part of the Authority Project Fund, the Bond Fund and the Academy Funded Reserve Account shall, subject to the provisions of the Nonarbitrage Certificate, be invested and reinvested by the Authority Trustee in accordance with the oral directions of the Academy (promptly confirmed in writing) in Eligible Investments.

Amounts Remaining in Funds and Accounts

Any amounts remaining in the Authority Project Fund, the Bond Fund and the Academy Funded Reserve Account after full payment of the Authority Bonds and the fees, expenses and other costs and amounts required to be paid under the Financing Agreement or the Authority Indenture shall be paid by the Authority Trustee to the Academy upon full payment of the Financing Agreement. Any amounts remaining in the Authority Funded Reserve Account of the Reserve Fund after payment in full of the Authority Bonds, the fees and expenses and other costs specified in the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or the Authority Indenture, shall be paid to the Authority upon discharge of the Authority Indenture.

Events of Default and Remedies

Each of the following events is an "Event of Default" under the Authority Indenture:

(a) Default in the payment of any interest on any Authority Bond when and as the same is due;

(b) Default in the payment of the principal of or any premium on any Authority Bond when and as the same is due, whether at the stated maturity or redemption date thereof or by acceleration;

(c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Authority included in the Authority Indenture or in the Authority Bonds and the continuance thereof for a period of 30 days after the Authority Trustee or the holders of not less than fifty-one percent (51%) in principal amount of the Authority Bonds gives written notice to the Authority and the Academy; provided, however, if such Default is such that it cannot be cured within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Authority Trustee, is correctable and will not have a material adverse effect on the Authority Bondholders or any of the security for the Authority Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected; or

(d) The occurrence of an "Event of Default" as defined in the Financing Agreement.

Upon the occurrence of any Event of Default under the Authority Indenture, the Authority Trustee may and upon (i) the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding or (ii) the occurrence of an Event of Default under subsection (a) or (b) above, the Authority Trustee shall immediately, by notice in writing sent to the Authority, declare the principal of and any premium on all Authority Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Authority Bonds shall cease to accrue on the date of such declaration. Upon any declaration of acceleration under the Authority Indenture, the Authority Trustee shall immediately exercise such rights as it may have under the Financing Agreement to declare all payments thereunder to be immediately due and payable, to the extent it has not already done so.

Immediately following any such declaration of acceleration, the Authority Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Upon the happening and continuance of an Event of Default under the Authority Indenture the Authority Trustee may, with or without taking action to accelerate the Authority Bonds, as described above, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of the Authority Indenture or the Financing Agreement, the First Supplemental Indenture or any other security provided by the Academy.

Subject to the acceleration provisions described above, upon the happening and continuance of an Event of Default, and if requested to do so by the holders of at least fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding and the Authority Trustee is indemnified as provided in the Authority Indenture, the Authority Trustee shall exercise such of the rights and powers under the Financing Agreement and under the Mortgage described below and the acceleration provisions of the Authority Indenture described above as the Authority Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Authority Bondholders.

No remedy by the terms of the Authority Indenture conferred upon or reserved to the Authority Trustee (or to the Authority Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Authority Trustee or to the Authority Bondholders.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Authority Indenture, whether by the Authority Trustee or by the Authority Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

The Authority Trustee, as the assignee of all right, title and interest of the Authority in and to the Financing Agreement (with the exception of the Unassigned Rights), shall be empowered to enforce each and every right granted to the Authority under the Financing Agreement (with the exception of the Unassigned Rights) and shall also be empowered to enforce each and every right granted to the Authority as holder of the Academy 2008 Bonds under the First Supplemental Indenture.

Anything in the Authority Indenture to the contrary notwithstanding, if there is an Event of Default under the Financing Agreement, neither the Authority nor the Authority Trustee shall request that the Academy Trustee exercise and enforce all or any of its rights under the Mortgage or the First Supplemental Indenture unless it first receives consent of not less than fifty-one percent (51%) of the principal amount of Authority Bonds then Outstanding. Any such consent shall be deemed to include the agreement to furnish to the Academy Trustee indemnity and reimbursement to the same extent as provided to the Authority Trustee under the Authority Indenture.

Application of Moneys

All moneys received by the Authority Trustee pursuant to any right given or action taken under the Authority Indenture shall be deposited in the Bond Fund. After payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities, and advances incurred or made by the Authority Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees and expenses, and all other current outstanding fees and expenses of the Authority Trustee, such moneys shall be applied in the order set forth below:

(a) Unless the principal on all Authority Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First - To the payment of all installments of interest then due on the Authority Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment; and

Second: - To the payment of the unpaid principal of any of the Authority Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Authority Indenture), in the order of their due dates, with interest on such Authority Bonds from the respective dates upon which they became due (at the rate borne by the Authority Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date.

Third: - To the payment of any bond servicing costs as the Authority Trustee may be directed in writing by an authorized officer of the Authority.

(b) If the principal of all the Authority Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Authority Bonds, without preference or priority as between principal or interest, installments of interest or Authority Bonds, ratably according to the amounts due respectively for principal and interest to the persons entitled thereto.

(c) If the principal on all Authority Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under the Authority Indenture then, subject to paragraph (b) above in the event that the principal of all the Authority Bonds shall later become or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) above.

Whenever moneys are to be applied pursuant to the application procedures described above, such moneys shall be applied at such times, and from time to time, as the Authority Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Authority Trustee by the Authority Indenture. Whenever the Authority Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

Waivers of Events of Default

With the written consent of the holders of no less than 51% of the principal amount of Bonds then Outstanding, the Authority Trustee may waive any Default or Event of Default under the Authority Indenture and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Authority Trustee a sum sufficient to pay all principal on the Authority Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Authority Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Authority Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Authority Trustee (other than in the payment of principal of and interest on the Authority Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority Trustee or provision deemed by the Authority Trustee to be adequate shall have been made therefor or otherwise waived by such Authority Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Authority Trustee and the Authority Bondholders shall be restored to their former positions and rights under the Authority Indenture, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Authority Bondholders' Rights to Direct Authority Trustee and Remedies

If a Default occurs of which the Authority Trustee is deemed to have notice, then the Authority Trustee within 45 days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the Registered Owners of the Outstanding Authority Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by written instrument filed with the Authority Trustee (i) notify the Authority Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Authority Trustee shall be conclusively presumed to have such notice, (ii) request the Authority Trustee to give written notice of a Default to the Academy or give such notice themselves as provided in the Authority Indenture, (iii) as to any Event of Default, request the Authority Trustee to exercise any of the remedies under the Authority Indenture, upon which request, subject to right of indemnification, the Authority Trustee shall exercise such remedy, (iv) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy, (v) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however, that there shall be no such waiver, rescission or termination unless all arrears of principal and interest on the Authority Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Authority Bonds and all fees and expenses of the Authority Trustee, including the reasonable fees and expenses or its counsel, in connection with such Event of Default, shall have been paid or provided for, and (vi) request the Authority Trustee to intervene in any judicial proceeding to which the Authority, the Academy, or the Academy Trustee is a party which may have substantial bearing on the interests of the holders of the Authority Bonds, and subject to right of indemnification, the Authority Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Authority Trustee to exercise one or more applicable rights or remedies upon an Event of Default and shall reasonably indemnify the Authority Trustee for all costs and expenses in the exercise of said rights and remedies as provided in the Authority Indenture and the Authority Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Authority Bondholders shall have the right to exercise any and all applicable rights and remedies in the same manner as if the same had been instituted by the Authority Trustee.

Authority Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Authority Bonds of the respective holders thereof at the respective due dates thereof, but only if the Authority Trustee has not taken similar action.

Discharge of Lien

Subject to the next paragraph, upon payment in full of the Authority Bonds, the lien of the Authority Indenture upon the Authority Security shall cease, terminate and be void, and thereupon the Authority Trustee, upon determining that all conditions precedent to the satisfaction and discharge of the Authority Indenture have been complied with, and upon payment of the Authority Trustee's fees, costs and expenses under the Authority Indenture, shall (i) cancel and discharge the Authority Indenture and the security interests, (ii) execute and deliver to the Authority and the Academy such instruments in writing as shall be required to cancel and discharge the Authority Indenture and the security interests, and (iii) reconvey, assign and deliver to the Authority all amounts in the Authority Funded Reserve Account and reconvey, assign and deliver such other Authority Security as may be in its possession or subject to its control to the Authority and the Academy, as applicable, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Bonds; provided, however, such cancellation and discharge of the Authority Indenture shall not terminate the powers and rights granted to the Authority Trustee with respect to the payment, transfer and exchange of the Authority Bonds; and provided, further, that the rights of the Authority and the Authority Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

If payment or provision therefor has been made with respect to all the Authority Bonds, the interest of the Authority Trustee in the Financing Agreement and the Academy 2008 Bond shall cease and the Authority Trustee shall cancel the Financing Agreement and the Academy 2008 Bond and return the same to the Academy. Neither the obligations nor moneys deposited with the Authority Trustee pursuant to the defeasance provisions of the Authority Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust, for the payment of the principal, redemption premium, if any, and interest on the Authority Bonds in accordance with the terms of the Authority Indenture.

Supplemental Authority Indentures Not Requiring Consent of Authority Bondholders

The Authority and the Authority Trustee without the consent of or notice to any Authority Bondholders, may enter into an indenture or indentures supplemental to the Authority Indenture and not inconsistent with the Authority Indenture for one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained in the Authority Indenture or in any supplemental indenture which may be defective or inconsistent with any provision contained in the Authority Indenture or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Authority Indenture which do not materially adversely affect the interest of the Authority Bondholders;

(b) To grant to or confer upon the Authority Trustee for the benefit of the Authority Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Authority Bondholders or the Authority Trustee;

(c) To grant or pledge to the Authority Trustee for the benefit of the Authority Bondholders any additional security other than that granted or pledged under the Authority Indenture;

(d) To modify, amend or supplement the Authority Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Authority Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Authority Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Authority Trustee, separate trustees or co-trustees in the manner provided in the Authority Indenture;

(f) To comply with the provisions of the Authority Indenture pertaining to supplemental indentures in connection with the issuance of Additional Authority Bonds;

(g) To maintain the exclusion of interest on the Authority Bonds from gross income for federal or State of Michigan income tax purposes;

(h) To make any other change which the Authority Trustee and the Authority determine, in reliance on an opinion of Counsel, will not have a material adverse effect on Authority Bondholders; or

To accomplish, implement, or give effect to any other action which is authorized or required by the Financing Agreement or the Authority Indenture.

When requested by the Authority or the Academy, and upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent under the Authority Indenture have been met, the Authority Trustee shall join the Authority in the execution of any such supplemental indenture. A copy of all such supplemental indentures shall be promptly furnished to the Academy.

Supplemental Authority Indentures Requiring Consent of Authority Bondholders

Exclusive of supplemental indentures covered by the immediately preceding caption and subject to the terms and provisions contained in this caption, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding and affected by such indenture or indentures supplemental to the Authority Indenture shall have the right, from time to time, anything contained in the Authority Indenture to the contrary notwithstanding, to consent to and direct the execution by the Authority Trustee of such other indenture or indentures supplemental to the Authority Indenture as shall be consented to by the Authority, which consent shall not be unreasonably withheld, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authority Indenture or in any supplemental indenture; provided, however, that nothing in the Authority Indenture shall permit, or be construed as permitting (a) without the consent of the holders of all Authority Bonds then Outstanding (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Authority Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, any Authority Bond, (iii) a preference or priority of any Authority Bond or Authority Bonds over any other Authority Bond or Authority Bonds, (iv) the creation of a lien prior to the lien of the Authority Indenture, (v) a reduction in the aggregate principal amount of the Authority Bonds required for consent to any supplemental indenture, or (b) a modification or change in the duties of the Authority Trustee under the Authority Indenture without the consent of the Authority Trustee. The giving of notice to and consent of the Authority Bondholders to any such proposed supplemental indenture shall be obtained as described below.

Anything in the Authority Indenture to the contrary notwithstanding, a supplemental indenture, amendment or other document which affects any rights or obligations of the Academy shall not become effective unless and until the Academy consents to the execution of such supplemental indenture, amendment or other document.

If consent of the Authority Bondholders is required under the terms of the Authority Indenture for the amendment of the Authority Indenture or the Financing Agreement for any other similar purpose, the Authority Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first class mail to the last known holders of the Outstanding Authority Bonds then shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the designated corporate trust office of the Authority Trustee for inspection by all Authority Bondholders. If, within 60 days or such longer period as shall be prescribed by the Authority Trustee following the mailing of such notice the holders of a majority or all, as the case may be, of the principal amount of the Authority Bonds Outstanding by instruments filed with the Authority Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Authority Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Authority Bondholders shall thereby be conclusively presumed.

Amendments, Changes and Modifications to the Financing Agreement

The Authority Trustee may, without the consent of the owners of the Authority Bonds, consent to any amendment of the Financing Agreement as may be required for purposes of curing any ambiguity, formal defect or omission which, in the Authority Trustee's judgment, acting in reliance upon an opinion of Counsel, does not prejudice in any material respects the interests of the Authority Bondholders. Except for such amendments, the Financing Agreement may be amended only with the consent of the Authority, the Authority Trustee and the owners of a majority in aggregate principal amount of Outstanding Authority Bonds, except that no such amendment may be made which would reduce the amounts required to be paid or the time for payment of such amounts under the Financing Agreement without the written consent of the owners of all the Outstanding Authority Bonds.

Copies of any such amendments, changes or modifications to the Financing Agreement shall be filed with the Authority Trustee.

Requests to the Academy

The Authority Trustee agrees that for as long as the Financing Agreement is in effect, if anyone who represents that it is a Beneficial Owner of an Authority Series 2008 Bond by delivering to the Authority Trustee a signed statement requesting one of the reports described under "THE FINANCING AGREEMENT–Reports and Access to Project" below (a "Requesting Authority Bondholder") requests the Authority Trustee to request from the Academy, for and on behalf of such Beneficial Owner, access to information and the opportunity to ask questions and receive answers concerning the legal status, financial condition, student count and any other relevant matters which the Requesting Authority Bondholder in its discretion determines is necessary regarding the Academy, the Authority Trustee accordingly will make such request to the Academy. The Authority Trustee further agrees to provide to such Requesting Authority Bondholder a complete copy of whatever the Authority Trustee receives from the Academy or the Authorizer in response to such request.

Nothing in the Authority Indenture imposes on the Authority Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine anything received from the Academy, or to provide a copy of any such information or material to anyone other than a Requesting Authority Bondholder.

Requests to Authorizer

The current Authorizer of the Academy is the Saginaw Valley State University Board of Control (which, or any subsequent authorizing body of the Academy, is below called the "Authorizer"). The Authority Trustee agrees that for as long as the Financing Agreement is in effect:

(1) if pursuant to the Authority Indenture the Authority Trustee has, on behalf of a Requesting Authority Bondholder, requested but been unable to receive such information from the Academy, then if the Requesting Authority Bondholder further asks the Authority Trustee to request such information from the Authorizer, the Authority Trustee accordingly will make such request to the Authorizer; and the Authority Trustee further agrees to provide to such Requesting Authority Bondholder a complete copy of whatever the Authority Trustee receives from the Authorizer in response to such request; and

(2) if a Requesting Authority Bondholder asks the Authority Trustee to request any of the below-listed information from the Authorizer, the Authority Trustee

accordingly will make such request to the Authorizer; and the Authority Trustee further agrees to provide to such Requesting Authority Bondholder a complete copy of whatever the Authority Trustee receives from the Authorizer in response to such request:

(A) Quarterly or annual financial statements of the Academy;

(B) The initiation of proceedings by the Authorizer, including the issuance of notice to show compliance, to revoke or suspend the Academy's Charter;

(C) Written notice received from the Academy regarding voluntary election to terminate its Charter;

(D) Enrollment data; and

(E) Other monetary obligations of the Academy for which any of its State School Aid payments are pledged.

Nothing in the Authority Indenture imposes on the Authority Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Authorizer in response to any written request it receives from a Requesting Authority Bondholder, or to examine anything received from the Authorizer, or to provide a copy of any such information or material to anyone other than a Requesting Authority Bondholder.

THE FINANCING AGREEMENT

Sale, Purchase and Assignment

The Financing Agreement pertains to the Academy's purchase of the 2008 Project, constituting the Site and certain equipment and furnishings**.** In the Financing Agreement, the Academy agrees to pay monthly Bond Payments at specified dates in specified amounts, as well as Additional Payments.

Payment Provisions

The Academy agrees to pay to the Authority the Bond Payments and Additional Payments at specified dates in specified amounts. The Academy may prepay Bond Payments, subject to the Authority's right to optionally redeem Authority 2008 Bonds, which may require the Academy to pay a prepayment premium as a condition of prepayment. If any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund, the Academy agrees to pay or cause the Academy Trustee to pay to the Authority Trustee for deposit pari passu, on a pro rata basis, into the Academy Funded Reserve Account of the Reserve Fund and the Authority Funded Reserve Account of the Reserve Fund an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven consecutive equal installments or such other number of equal installments as the Authority Trustee shall determine necessary to restore the Reserve Fund the Reserve Fund Requirement by the next Bond Payment Date. If on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay or cause the Academy Trustee to pay to the Authority Trustee for deposit pari passu, on a pro rata basis, into the Academy Funded Reserve Account of the Reserve Fund and the Authority Funded Reserve Account of the Reserve Fund, on each date a payment of State School Aid is received, commencing on the first date a payment of State School Aid is received following such Bond Payment Date, Reserve Fund Payments in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in full.

The Academy shall instruct the Academy Trustee to make all payments due under the Financing Agreement at the designated office of the Authority Trustee. The Academy further agrees to deposit with the Authority Trustee all payments due in immediately available funds.

Payment General Obligation

The obligation of the Academy to pay Bond Payments and Additional Payments is a general obligation of the Academy. The Academy agrees to include in its budget and pay each year, until the Financing Agreement is paid in full, such sums as necessary each year that it will cause the Academy Trustee to deposit make payments of the Bond Payments and Additional Payments.

State Aid Pledge

The Academy pledges to pay its Bond Payments, Additional Payments, and all other amounts required by the Financing Agreement and the Academy 2008 Bond from 20% of its State School Aid to be allocated to it and payable to its Authorizer"), pari passu with other obligations under the Academy Indenture. The State Aid Agreement and Financing Agreement provide that ninety-seven percent (97%) of each installment of State School Aid shall, pursuant to the agreement of the Authorizer, be transmitted directly by the State Treasurer to U.S. Bank National Association, as depository, for transfer to the Academy Trustee and the Authority Trustee, as provided in the State Aid Agreement, commencing August 20, 2008 (or if such day shall not be a Business Day, the next succeeding Business Day) and thereafter on the 20th (or if such day shall not be a Business Day, the next succeeding Business Day) of each October, November, December, January, February, March, April, May, June, July, and August. So long as there is no event of default under the Financing Agreement, the Authority Trustee shall receive an amount sufficient on each Payment Date to pay each regularly scheduled Bond Payment and Additional Payment when due, as set forth in the Financing Agreement. Monies transferred to the Authority Trustee pursuant to the State Aid Agreement shall be deposited in the State Aid Intercept Account of the Bond Fund and shall be applied as provided in the Authority Indenture, described herein under "THE AUTHORITY INDENTURE–Bond Fund". Such monies shall be used to pay the Bond Payments and Additional Payments when due in a monthly amount approximately equal to 1/10 of the annual principal payments scheduled on the Authority Series 2008 Bonds (the Scheduled Principal Component) plus 1/10 (adjusted in the initial fiscal year to reflect interest accruing from the Closing Date) of the annual interest obligation (the Scheduled Interest Component) plus 1/10 of the annual fees (the Scheduled Fee Payment Component). Regularly scheduled Bond Payments and Additional Payments shall be made each November through August, commencing November 1, 2008.

Notwithstanding the foregoing, if (i) applicable law changes to provide for a schedule of school aid payments materially different from that now in effect, or (ii) the Academy, with the prior written consent of the Authority and all of the holders of the Authority 2008 Bonds and receipt of a Favorable Opinion of Bond Counsel as to the adjusted schedule of optional redemption of the Authority 2008 Bonds, may agree to a different schedule of optional redemption of the Authority 2008 Bonds, the Authority, by written notice to the Authority Trustee, the State Treasurer, the Academy and the Authorizer may designate different payment dates or amounts to provide for timely receipt of Bond Payments and Additional Payments consistent with such changes which shall thereupon be and become the Payment Dates under the Financing Agreement. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Bond Payment shall be due on the next succeeding Business Day. The Bond Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment.

If, for any reason, the State School Aid allocated to the Academy during the month of the payment is insufficient to pay the Bond Payment and Additional Payment, if any, then in that event the Academy pledges to use any and all other available funds to meet the Bond Payment obligation and Additional Payment obligation, if any. The Authority agrees that it shall not seek an advancement of State Aid, which is permitted under Section 17a(3) of the State School Aid Act, but rather will seek to pursue applicable remedies under the Academy 2008 Bonds, the Academy Indenture and the Financing Agreement.

Notwithstanding the foregoing, however, the amount to be applied by the Authority Trustee to Bond Payments under the Financing Agreement, together with any other debt service payments under the Academy Indenture, shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such fiscal year.

The pledge of State School Aid pursuant to as described above is subject to the reservation by the Academy of the right to make additional pledges of State School Aid to secure other obligations as provided in the Financing Agreement and the Academy Indenture and provided that the amount of State School Aid received by the Academy in the fiscal year of the State preceding the incurrence of such additional obligations equals or exceeds the amount required in each year to pay the sum of an amount equal to the Bond Payments and Additional Payments due and the principal and interest and other payments due under such additional obligations for which State School Aid has been pledged.

Assignment by Authority

The Academy acknowledges and consents to the assignment and pledge pursuant to the Authority Indenture by the Authority to the Authority Trustee, as additional security for the Authority 2008 Bonds, of the Academy 2008 Bond and the Financing Agreement and all of the Authority's rights and powers under the Financing Agreement, (except the Unassigned Rights) including the right to receive Bond Payments and Additional Payments.

Obligations of Academy Unconditional

The obligation of the Academy to pay the Bond Payments, Additional Payments and all other amounts required by the Financing Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Authority 2008 Bonds have been fully paid (or provision made therefor) in accordance with the Authority Indenture, the Academy (i) shall not suspend or discontinue any Bond Payments or Additional Payments, (ii) shall perform and observe all of its other obligations contained in the Academy 2008 Bond and the Financing Agreement and (iii) shall not terminate the Financing Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Site or the 2008 Project, failure to complete the 2008 Project, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of any part of the 2008 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Michigan or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with the Financing Agreement. The Bond Payments are intended to be sufficient for the payment in full of the Authority 2008 Bonds, including (i) the total interest to become due and payable on the Authority 2008 Bonds to the dates of payment thereof, (ii) the total principal amount of the Authority 2008 Bonds, (iii) the redemption premiums, if any, that shall be payable on the redemption of the Authority 2008 Bonds prior to their stated payments dates, and (iv) all additional interest, additional principal and any other amounts payable to the Authority Trustee as and when required by the Authority 2008 Bonds or the Financing Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Authority Trustee or the Authority it shall then immediately pay the amount of the deficiency to the Authority Trustee on behalf of the Authority. These obligations of the Academy shall survive the termination of the Financing Agreement.

All payment obligations on the Academy 2008 Bonds are subject to the parity payment obligations of the Academy under the Academy Indenture.

Other Obligations

The Academy covenants and agrees that, without the prior written consent of the Authority Trustee, at the direction of the holders of 51% of the Outstanding Authority Series 2008 Bonds, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur pecuniary obligations, except the following:

(a) obligations incurred in the ordinary course of business;

(b) obligations contained in the Management Agreement between the Academy and Varner & Associates International, LLC, dated May 23, 2006, as amended June 17, 2008 (the "Management Agreement");

(c) state aid notes (including state aid note lines of credit) issued pursuant to the School Code, which may be on parity with the Authority Series 2008 Bonds;

(d) purchase money obligations secured by the property being financed;

(e) obligations incurred pursuant to and in compliance with federal and other charitable grants; and

(f) other indebtedness incurred or guaranteed by the Academy in accordance with applicable law related to capital acquisitions provided that the aggregate maximum annual debt service on such indebtedness, in any fiscal year, together with the Bond Payments under the Financing Agreement for such year, shall not exceed 20% of the amount of State School Aid payable to the Academy by the State in such fiscal year. For purposes of computing future 2008 Projections of State School Aid, the amount of State School Aid paid to the Academy for the Academy's most recently completed fiscal year shall be used.

Notwithstanding the foregoing, the Academy covenants and agrees that the amount of State School Aid to be received by the Academy shall be at least the total of the Bond Payments, Additional Payments and all payments on such other obligations to which State School Aid has been pledged due in such fiscal year.

Taxes and Other Costs

The Academy shall promptly pay when due all lawful taxes and governmental charges of any kind whatsoever, including income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Site and the 2008 Project, the Financing Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the 2008 Project.

Mortgage and Title Insurance

At or prior to the date of delivery of the Authority 2008 Bonds, the Academy shall cause to be executed and delivered and cause to be recorded the Mortgage securing performance by the Academy of its obligations under the First Supplemental Indenture. The Mortgage shall grant to the Academy Trustee a first mortgage lien on all real property comprising the 2008 Project and the 2005 Project and shall secure the Academy 2008 Bonds and the Academy 2005 Bonds on a pari passu basis.

At or prior to the Authority 2008 Bonds, the Academy shall cause to be delivered to the Academy Trustee a policy of mortgage title insurance on the Site as provided in the First Supplemental Indenture.

Insurance

As between the Academy and the Authority, the Academy shall have and assume the risk of loss with respect to the 2008 Project, and shall procure and maintain continuously in effect during the term of the Financing Agreement with respect to the 2008 Project, to the extent of the full replacement cost of the 2008 Project, other than land and building foundations, all–risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed, and including business interruption insurance in an amount sufficient to pay Scheduled Installment Payments for a period of twelve months. All policies (or endorsements or riders) evidencing insurance shall be carried in the names of the Academy and the Academy Trustee as their respective interests may appear. The net proceeds of insurance required shall be applied as provided in below; provided that the net proceeds of business interruption insurance shall be applied to the payment of Scheduled Installment Payments and Additional Payments.

The Academy shall carry or cause to be carried workers' compensation insurance covering all employees on, in, near or about the 2008 Project, and upon request, shall furnish to Authority Trustee certificates evidencing such coverage throughout the term of the Financing Agreement.

The Academy shall obtain and maintain or cause to be obtained and maintained during the term of the Financing Agreement such other insurance policies covering such other risks and in such amounts as are customarily maintained by educational institutions similar to the Academy in the ordinary course of their business. All insurance may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage without giving written notice to all parties at least thirty (30) days before the cancellation or revision becomes effective. The Academy shall deposit with Authority Trustee policies evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy, the Academy shall furnish to Authority Trustee evidence that the policy has been renewed or replaced by another policy conforming to the provisions of the Financing Agreement.

Application of Insurance and Condemnation Proceeds

In the event (i) the Site, the 2008 Project, or the 2005 Project or related site is damaged or destroyed, or (ii) failure of title to all or part of the Site or the 2008 Project, or the 2005 Project or related site occurs or (iii) title to or temporary use of the Site, the 2008 Project, or the 2005 Project or related site is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority and the Authority Trustee and shall proceed as provided in the First Supplemental Indenture.

Reports and Access to Project

The Academy covenants that promptly, but not later than one hundred twenty (120) days after the close of each fiscal year, it will file with the Authority and the Authority Trustee (and upon written request with the original Underwriter for the Authority 2008 Bonds), in such quantity as the Authority may require, its audited financial statements for such fiscal year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility. The Authority Trustee may rely on the financial statements and certificates delivered to it and shall have no duty to analyze those documents or perform independent calculations.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant to or in connection with any continuing disclosure undertaking relating to the Authority 2008 Bonds or other debt incurred by or for the benefit of the Academy.

Subject to reasonable security and safety regulations, the Authority and the Authority Trustee and the respective duly authorized agents of each shall have the right at all reasonable times to enter the Site, the 2008 Project and 2005 Project and related site and to examine and inspect the same.

Disposition of Assets

During the term of the Financing Agreement, and except as otherwise provided by below under the heading "Academy to Maintain Existence", the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Covenant as to Non-Impairment of Tax-Exempt Status

Notwithstanding any other provision or any rights of the Academy under the Financing Agreement, the Academy covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Authority 2008 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Authority Series 2008 Bond proceeds and moneys deemed to be Authority Series 2008 Bond proceeds, all as more fully set forth in the Nonarbitrage Certificate.

Academy to Maintain Existence

The Academy covenants and agrees that for so long any Authority Series 2008 Bond remains outstanding under the Authority Indenture, it shall maintain its existence as a "public school academy" under Michigan law and shall continue to operate its facilities located at the Site as a public school which will produce sufficient available revenues to pay the Bond Payments and Additional Payments and all other amounts due and owing by the Academy under the Financing Agreement. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Site upon (a) prepayment in full of the Bond Payments, Additional Payments and any prepayment premium required by the Authority as determined in the sole discretion of the Authority and (b) filing an opinion of Bond Counsel that such prepayment and release will not adversely affect the exclusion of interest on the Authority 2008 Bonds from gross income for federal income tax purposes.

Maintenance, Repair and Modification

The Academy shall cause the 2008 Project to be used for the purposes described in the Financing Agreement throughout the term of the Financing Agreement. The Academy does not know of any reason why the 2008 Project will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the 2008 Project for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Bond Payments and the Additional Payments under the provisions of the Financing Agreement.

The Academy agrees that it will keep the 2008 Project in good repair and good operating condition, ordinary wear and tear expected, at its own cost.

The Academy may remodel the 2008 Project or make additions, modifications and improvements to the 2008 Project from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements (i) do not materially and adversely alter the scope, character, value or operation of the 2008 Project without the prior written consent of the Authority Trustee or one hundred percent (100%) of the holders of the Authority 2008 Bonds, (ii) do not impair the exclusion of interest on the Authority 2008 Bonds from gross income for federal income tax purposes and (iii) do not contravene the provisions of the Enabling Legislation.

Compliance with Academy Indenture and First Supplemental Indenture

The Academy covenants to comply with all provisions of the First Supplemental Indenture and the Academy Indenture related to the 2008 Project and the 2005 Project. To the extent any documents relating to either the 2008 Project or the 2005 Project are filed with the Academy Trustee pursuant to the terms of the First Supplemental Indenture or the Academy Indenture, the Academy shall also file a copy of such documents with the Authority Trustee at the same time.

Events of Default

The term Events of Default shall mean, whenever used in the Financing Agreement, any one or more of the following events:

(a) Failure by the Academy to make a Bond Payment under the Academy 2008 Bond when due.

(b) Failure by the Academy to make an Additional Payment under the Financing Agreement when due.

(c) Failure by the Academy to observe and perform any other obligations in the Financing Agreement, or in any other related or collateral documents on its part to be observed or performed for a period of 45 days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Authority Trustee; provided, however, that if said Default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Authority Trustee, is correctable without material adverse effect on the Authority 2008 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected.

(d) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under the Financing Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 60 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy are consented to by it or remain undismissed for 60 days; or an order for relief is entered in any bankruptcy proceeding.

(e) If any representation or warranty made by the Academy in any document delivered by the Academy to the purchasers) of the Authority 2008 Bonds, the Authority Trustee or the Authority in connection with the issuance, sale and delivery of the Authority 2008 Bonds is untrue in any material respect.

(f) If the Academy shall default under any other agreement for payment of money in excess of $25,000 and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under the Financing Agreement except as shall be permitted under the Financing Agreement, provided, however, that the Academy shall not be in default under this subcaption, if it is contesting in good faith any default under any such other agreement for the payment of money and, with respect to construction liens, has bonded over such lien to the satisfaction of the Authority Trustee, unless in the estimation of the Authority Trustee the security of the Authority Trustee under the Financing Agreement is materially endangered.

(g) The occurrence of an Event of Default under the Academy Indenture, the First Supplemental Indenture, or the Authority Indenture.

(h) The loss of its Charter or the failure of the Academy to have its Charter renewed, unless a charter from another authorizing body is received on or before the effective date of revocation or nonrenewal and a state aid agreement in form and content the same as the agreement executed in connection with the Financing Agreement is executed by such new authorizing body on or before the effective date of revocation or nonrenewal.

The term Default shall mean Default by the Academy in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Financing Agreement, exclusive of any period of grace required to constitute an Event of Default.

The Defaults described in subsection (c) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (c), the Academy shall not be deemed to be in breach or violation of the Financing Agreement or in default during the continuance of such inability. The term force majeure as used in the Financing Agreement shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State of Michigan or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the 2008 Project; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event other than financial inability not reasonably within control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Remedies upon an Event of Default

Whenever any Event of Default shall have occurred and be continuing, the Authority or the Authority Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under the Financing Agreement (i.e., Bond Payments, Additional Payments and all other payments required by the Financing Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the 2008 Project or the 2005 Project, or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the Financing Agreement;

(d) Request that the Academy Trustee exercise and enforce all or any of its rights under the Mortgage or the First Supplemental Indenture; and/or

(e) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Authority Trustee, subject to the parity interests of the holders of the Academy 2005 Bonds.

No remedy conferred in the Financing Agreement upon or reserved to the Authority or the Authority Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under this subcaption shall be paid into the Bond Fund and applied in accordance with the Authority Indenture, except amounts collected pursuant to the Financing Agreement for the benefit of the Authority which shall be paid to or retained by the Authority.

Non-Liability of Authorizer

The Authorizer has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Authorizer, including the administrative fee deducted by the Authorizer from the State School Aid payments received by the Authorizer for the Academy.

The First Supplemental Indenture, the Academy Indenture, and the Authority Indenture

The Academy agrees to be bound by the terms of the First Supplemental Indenture, the Academy Indenture and the Authority Indenture applicable to it, and agrees not to take any action which would cause the Academy Trustee to violate the terms of the First Supplemental Indenture or the Academy Indenture or which would caused the Authority or the Authority Trustee to violate the terms of the Authority Indenture.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE FIRST SUPPLEMENTAL INDENTURE AND THE 2005 ACADEMY INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE FIRST SUPPLEMENTAL INDENTURE AND THE 2005 ACADEMY INDENTURE

The following is a summary of certain provisions of the First Supplemental Indenture and of definitions of certain terms used therein and in this Official Statement. Reference is made to the First Supplemental Indenture for a complete statement of the provisions of such document. The Academy Indenture contains virtually identical provisions to those contained in the First Supplemental Indenture and summarized herein, applicable to the 2005 Academy Indebtedness (defined in Appendix D as the "Academy 2005 Bonds"). The First Supplemental Indenture supplements the 2005 Academy Indenture (defined in Appendix D as the "Academy Indenture") and, to the extent necessary to reflect the parity nature of the Municipal Obligation (defined in Appendix D as the "Academy 2008 Bonds") and the 2005 Academy Indebtedness, amends the 2005 Academy Indenture as well. Until the date of delivery of the Municipal Obligation, the provisions of the First Supplemental Indenture are subject in all respects to changes, deletions and variations therein and thereafter, to supplementation and amendment in accordance with its terms. Except as otherwise defined herein, the terms defined or used in this Summary which are defined in the First Supplemental Indenture shall have the same meanings in this Summary as in that document.

Definitions

Following are certain definitions used in the First Supplemental Indenture. In addition, reference is made to the definitions contained in Appendix D under the caption "Definitions of Certain Terms Used in the Authority Indenture and the Financing Agreement" for definitions of the following terms, which are also used in the First Supplemental Indenture:

Academy
Academy Indenture
Academy Trustee
Academy 2008 Bonds
Academy 2005 Bonds
Authority
Authority Indenture
Authority Trustee
Authorizer
First Supplemental Indenture
Mortgage
State Aid Agreement
State School Aid
2008 Project
2005 Project

"Additional Academy Bonds" means any Additional Bonds authorized and issued pursuant to the First Supplemental Indenture or the Academy Indenture.

"Academy Bond" or "Academy Bonds" means the Academy 2005 Bonds, the Academy 2008 Bonds, and any Additional Academy Bonds.

"Academy Event of Default" means any of the events specified in the First Supplemental Indenture.

"Academy Security" means the revenues, funds, rights and interests specified in the First Supplemental Indenture and described under "Academy Security" below.

"Authorized Representative" means, the President, any Vice President or the Secretary of the Academy and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized by resolution of the Academy's Board of Directors to perform such act, discharge such duty or execute such certificate or other document.

"Bond Interest Fund" means the fund by that name created pursuant to the Academy Indenture.

"Bond Principal Fund" means the fund by that name created pursuant to the Academy Indenture.

"Capital Lease" or "Capital Leases" means any lease or leases required to be capitalized in accordance with generally accepted accounting principals of governmental entities in Michigan.

"Combined Maximum Annual Requirements" means, with respect to Indebtedness, an amount equal to the maximum amount required to be paid in any single current or future School Year as the principal of (including any mandatory sinking fund requirements) and interest on such Indebtedness, excluding any portion of such Indebtedness that has been defeased pursuant to the terms of the related authorizing documents. For purposes of calculating the Combined Maximum Annual Requirements in any School Year of final maturity of any Indebtedness, there shall be subtracted from the final principal payment for such Indebtedness any cash or the present value of any investments deposited in a reserve fund or account established pursuant to the related authorizing documents which are properly allocable to said Indebtedness.

"Debt Service Reserve Fund" means the fund by that name created pursuant to the Academy Indenture.

"Disbursement Date" means a date not later than one Business Day after receipt by the Trustee of State School Aid under the State Aid Agreement and the First Supplemental Indenture.

"Eligible Investments" shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(i) Governmental Obligations;

(ii) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and (c) are secured by cash and/or Government Obligations;

(iii) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor's Ratings Services;

(iv) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services;

(v) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee the First Supplemental Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(vi) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars ($50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by Standard & Poor's Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(vii) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Academy's instructions as to compliance with this Subsection (vii);

(viii) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Standard & Poor's Ratings Services;

(ix) to the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(x) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64, so long as the portfolio of the investment company or investment trust is limited to (i) United States government obligations and repurchase agreements fully collateralized by United States government obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least AAAm or AAAm-G by Standard & Poor's Ratings Services.

"Excess Net Revenues" means, for any School Year, gross revenues, less operating expenses, annual debt service, Debt Service Reserve Fund deficiency payments, Capital Lease Payments and required Repair and Replacement Fund deposits and Reserve Fund Payments made under the Financing Agreement.

"Facilities" means collectively, the 2005 Facilities and the 2008 Facilities.

"Indebtedness" means collectively the Long-Term Indebtedness, Short-Term Indebtedness and Capital Leases.

"Maximum Annual Debt Service" means, as of any date of calculation, the highest principal and interest payment requirements with respect to all Long-Term Indebtedness and Capital Leases of the Academy outstanding for any succeeding School Year.

"Net Income Available for Debt Service" means, for any period of determination thereof, Pledged Revenues of the Academy for such period plus the amount of unrestricted fund balance/net asset in excess of the balance required by the minimum fund balance and net asset covenants of the First Supplemental Indenture, minus its total Operating Expenses for such period but excluding (i) cancellation of indebtedness income, (ii) proceeds of Academy 2008 Bonds, including any other Indebtedness permitted by the First Supplemental Indenture, and (iii) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of the Academy, the proceeds of any sale, transfer or other disposition of the Facilities or any other of the Academy's assets by the Academy, and any condemnation or any other damage award received by or owing to the Academy.

"Operating Expenses" means fees and expenses of the Academy, including maintenance, repair expenses, utility expenses, real estate taxes, if any, insurance premiums, administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Academy, the cost of vehicles, equipment leases and service contracts, taxes, if any, upon the operations of the Academy not otherwise mentioned in the First Supplemental Indenture, charges for the accumulation of appropriate reserves (excluding deposits to the Repair and Replacement Fund) for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles of governmental entities in Michigan, all in such amounts as reasonably determined by the Academy; provided, however, "Operating Expenses" shall not include (i) those expenses which are actually paid from any revenues of the Academy which are not Pledged Revenues, (ii) spending for items accounted for as capital expenditures under generally accepted accounting principles of governmental entities in Michigan, (iii) deposits into and expenditures from the Repair and Replacement Fund, or (iv) replenishments of the Debt Service Reserve Fund or payment of Reserve Fund Payments under the Financing Agreement.

"Permitted Encumbrance" means, as of any particular time, those items described in the Mortgage and any of the following:

(a) Liens for taxes and special assessments on the Facilities not then delinquent;

(b) the Mortgage;

(c) purchase money security interests with respect to any item of equipment related to the Facilities;

(d) utility, access, and other easements and rights-of-way, mineral rights and reservations, restrictions and exceptions which would not in the aggregate (i) materially interfere with or impair any present use of the Facilities or any reasonably probable future use of the Facilities, or (ii) materially reduce the value which would be reasonably expected to be received for the Facilities upon any sale (including any foreclosure of the security interest granted by the Mortgage);

(e) mechanics' and materialmen's liens related to the Project when payment of the related bill is not overdue;

(f) mechanics' and materialmen's liens, security interests or other encumbrances related to the Project to the extent permitted in the First Supplemental Indenture;

(g) Judgment liens against the Academy so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(h) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license or permit, or provision of law, affecting the Project or the Facilities, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Project or the Facilities or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Project or the Facilities; (ii) liens on the Project or the Facilities for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges not yet due or delinquent; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Project or the Facilities which do not materially impair the use of the Project or the Facilities or materially and adversely affect the value thereof; or (iv) rights reserved to or vested in any municipality or public authority to control or regulate the Project or the Facilities or to use the Project or the Facilities in any manner, which rights do not materially impair the use of the Project or the Facilities or materially and adversely affect the value thereof;

(i) Liens and any other restrictions, exceptions, leases, easements or encumbrances which are existing on the date of initial issuance and delivery of the Bonds as set forth in the Mortgage, provided that no such lien (or the amount of Indebtedness secured thereby), restriction, exception, lease, easement or encumbrance may be increased, extended, renewed or modified to apply to the Project or the Facilities not subject to such lien on such date, unless such lien as so extended, renewed or modified or otherwise qualified as a Permitted Encumbrance under the First Supplemental Indenture or is otherwise permitted pursuant to the additional indebtedness provisions of the First Supplemental Indenture;

(j) Liens on the Project or the Facilities and the Pledged Revenues or any Indebtedness which meet the conditions for additional indebtedness under the First Supplemental Indenture; and

(k) Liens on the Project or the Facilities and the Pledged Revenue (subordinate to the Mortgage) to secure payment of indebtedness subordinate to the obligations of the

Academy under the additional indebtedness provisions of the First Supplemental Indenture.

"Pledged Revenues" means, regardless of the source, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Academy, to the extent permitted thereby and by law, including accounts receivables or other rights to receive such revenues, including, without limitation, State School Aid (whether paid to the Academy, its Authorizer or to the Trustee on behalf of the Academy), proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Academy; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law.

"Project" means, collectively, the 2005 Project and the 2008 Project.

"Rebate Amount" means the amount of arbitrage computed annually for payment as of the last day of every fifth Rebate Year and required to be rebated to the United States pursuant to Section 148 of the Code and Treasury Regulation Section 1.148-2 and any successor regulation as may be applicable thereto.

"Rebate Analyst" means an independent certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution, experienced in making the arbitrage and rebate calculations required pursuant to Section 148(f) of the Code, selected and retained and compensated by the Academy to make the computations and give the directions required under the First Supplemental Indenture and the Tax Certificate. The initial Rebate Analyst is Dickinson Wright PLLC.

"Rebate Fund" means the fund by that name created pursuant to the Academy Indenture.

"Rebate Year" means the period beginning on the date of issuance of the Academy 2008 Bonds and ending on June 30, 2010, and for all other Rebate Years, the five year period beginning on the day after the end of the preceding Rebate Year and ending on June 30 in the fifth year of such period, as the case may be, unless the Academy, and the Trustee are advised by the Rebate Analyst that another period is required by law; provided, however, that the last Rebate Year for the Academy 2008 Bonds shall end on the Retirement Date.

"Repair and Replacement Fund" means the fund by that name created pursuant to the Academy Indenture.

"Revenue Fund" means the fund by that name created pursuant to the Academy Indenture.

"School Year" means the Academy's fiscal year, which currently begins on July 1 and ends on June 30 of each calendar year.

"Short-Term Debt" means any indebtedness other than Long-Term Indebtedness, and Capital Leases evidenced by notes, commercial paper, a bank line of credit or any other instrument to finance operating or other costs of the Academy.

"Trust Estate" means the property pledged, assigned and mortgaged to the Trustee pursuant to the First Supplemental Indenture and the Academy Indenture.

"2008 Facilities" means the school building(s) located at 20200 Kelly Road, Harper Woods, Michigan.

"2005 Facilities" means the school building(s) located at 20100 Kelly Road, Harper Woods, Michigan.

Academy Security

The Academy 2008 Bonds and the interest and any premium thereon shall be a full faith and credit obligation of the Academy, and shall be secured by and payable only from the following:

(a) the full faith and credit obligation pledge of the Academy;

(b) all moneys in the Bond Principal Fund and the Bond Interest Fund;

(c) all of the proceeds of the foregoing, including without limitation, investments thereof; and

(d) any and all other interest in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security for the Bonds by the Authorized Representative of the Academy, including, without limitation, property pledged in the Mortgage and the State Aid Agreement.

The foregoing are collectively the "Academy Security" and shall secure the Academy 2008 Bonds pari passu with the Academy 2005 Bonds and any Additional Academy Bonds which may be issued in the future in accordance with the terms of the First Supplemental Indenture and the Academy Indenture. The Project Fund and the Debt Service Reserve Fund created under the Academy Indenture are part of the Academy Security (as defined in the Academy Indenture) for the Academy 2005 Bonds, but not the Academy 2008 Bonds. There is no debt service reserve requirement for the Academy 2008 Bonds. In consideration of the purchase of the Academy 2008 Bonds and to secure payment of the principal of, premium, if any, and interest on the Academy 2008 Bonds and any other cost or pecuniary liability of the Academy relating to the Academy 2008 Bonds or any proceeding, document or certification incidental to the issuance of the Academy 2008 Bonds, and to secure performance and observance of all covenants, terms and conditions upon which the Academy 2008 Bonds are to be issued, including without limitation the First Supplemental Indenture, the Academy, without warranty, pursuant to law conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in, the Academy Security to the Trustee, and its successors and assigns, in trust for the benefit of the Series 2008 Bondholders, pari passu with all other Bondholders and their respective successors and assigns.

Ratably Secured

All Academy 2008 Bonds issued under the First Supplemental Indenture are and are to be, to the extent provided in the First Supplemental Indenture, equally and ratably secured by the First Supplemental Indenture and the Academy Indenture, pari passu with all other Academy Bonds, without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Academy 2008 Bonds so that, subject as aforesaid, all Academy 2008 Bonds at any time outstanding under the First Supplemental Indenture shall have the same right, lien and preference under and by virtue of the First Supplemental Indenture and the Academy Indenture and shall all be equally and ratably secured by the First Supplemental Indenture and the Academy Indenture, pari passu with all other Academy Bonds, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Academy 2008 Bonds, whether the same, or any of them, shall actually be disposed of at such date, or some future date.

Limitations on Incurrence of Additional Indebtedness

The Academy shall be precluded from incurring additional Indebtedness secured by liens on the Facilities or the Pledged Revenues that are senior to the Mortgage and the security interest in the Pledged Revenues granted by the First Supplemental Indenture. The Academy may incur other Indebtedness secured by the Mortgage and the security interest in the Pledged Revenues granted by the First Supplemental Indenture *only* upon providing to the Academy Trustee a certificate of an Authorized Representative of the Academy, accompanied by a confirming certificate from the Academy's accountant, to the effect that (i) the requirements of certain provisions of the First Supplemental Indenture relating to issuance of Additional Academy Bonds have been met, if applicable; and (ii) either:

(a) the combined Maximum Annual Debt Service for outstanding Long-Term Indebtedness and/or Capital Leases related to the Facilities and the Long-Term Indebtedness and/or Capital Leases related to the Facilities proposed to be incurred is equal to or less than 10% of the Pledged Revenues for the most recent School Year for which a budget has been adopted by the Board and submitted to the State and the Authorizer; or

(b) the pro forma Net Income Available for Debt Service for the most recent School Year for which a budget has been adopted by the Board and submitted to the State and the Authorizer must be sufficient to pay an amount representing not less than 120% of the combined Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness related to the Facilities and the Long-Term Indebtedness and/or Capital Leases related to the Facilities proposed to be incurred.

The above limitation in paragraph (b) is subject to the following: (i) in any School Year for which the current enrollment of the Academy is less than the enrollment in the previous School Year due to a facility lease expiring, then only the current School Year's enrollment, based upon the State's official student count days, will be used to determine pro forma Net Income Available for Debt Service; and (ii) the Academy may include in pro forma Net Income Available for Debt Service lease or sublease revenues projected to be received as evidenced by signed lease or sublease documents customary in commercial real estate transactions.

Indebtedness subordinate to the obligations of the Academy under the First Supplemental Indenture and liens on the Facilities, Pledged Revenues or other assets of the Academy securing such subordinate indebtedness, so long as same are subordinate to the Mortgage and obligations under the First Supplemental Indenture, are permitted by the First Supplemental Indenture.

Minimum Fund Balance/Net Asset Covenants

The Academy covenants that, so long as any Academy Bonds remain Outstanding, it will:

(a) maintain an unrestricted fund balance/net asset balance in its general fund which equals not less than an amount calculated as a percentage of Operating Expenses for the prior School Year as follows:

(i) Such percentage shall be 5.0% for any School Year if, in the School Year immediately preceding such School Year, the total of the Combined Maximum Annual Requirements plus any similar lease-purchase or loan payment obligations of the Academy, excluding Short-Term Debt, were equal to or less than 10% of Pledged Revenues;

(ii) Such percentage shall be 7.5% for any School Year if, in the School Year immediately preceding such School Year, the total of the Combined Maximum Annual Requirements plus any similar lease-purchase or loan payment obligations of the Academy, excluding Short-Term Debt, were greater than 10% but less than or equal to 15% of Pledged Revenues; and

(iii) Such percentage shall be 10.0% for any School Year if, in the School Year immediately preceding such School Year, the total of the Combined Maximum Annual Requirements plus any similar lease-purchase or loan payment obligations of the Academy were, excluding Short-Term Debt, greater than 15% of Pledged Revenues; and

(b) maintain cumulative unrestricted fund balance and/or access to Short-Term Debt sufficient to meet all accrued and unrestricted salary obligations of the Academy.

Each of the covenants made in this Section shall be tested as of June 30 of each School Year based on the results of the annual audit of the Academy required by the First Supplemental Indenture. If on any testing date the Academy's minimum fund balance is below that required by this Section, the Academy shall retain on an annual basis a minimum of 50% of the Excess Net Revenues until such time as the Academy is in compliance with the minimum fund balance required by this Section.

Pledge of Trust Estate

Subject only to the rights of the Academy to apply amounts under the provisions of the First Supplemental Indenture, a pledge of the Trust Estate to the extent provided in the First Supplemental Indenture is thereby made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Academy 2008 Bonds, pari passu with the payment of the principal of, premium, if any, and interest on the Academy 2005 Bonds and any Additional Academy Bonds which may be issued in the future in accordance with the terms of the First Supplemental Indenture and the Academy Indenture. The pledge made by the First Supplemental Indenture shall be valid and binding from and after the time of the delivery by the Academy Trustee of the first Series 2008 Bond authenticated and delivered under the First Supplemental Indenture. The Academy Security so pledged and then or thereafter received by the Academy shall immediately be subject to the lien of such pledge and the obligation to perform the contractual provisions of the First Supplemental Indenture and shall have priority over any or all other obligations and liabilities of the Academy with respect to the Trust Estate and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Academy irrespective of whether such parties have notice thereof.

Establishment of Funds; Irrevocable Direction of State School Aid

The Academy, in the Academy Indenture, has heretofore established and created the Revenue Fund which are held by the Academy Trustee and funded and disbursed in accordance with the provisions below under the heading "Revenue Fund." In order to administer the disbursement of funds from the Revenue Fund, the Academy Trustee, in the Academy Indenture, has established the following funds, which shall be special trust funds with respect to the Academy 2008 Bonds, pari passu with the Academy 2005 Bonds and any Additional Academy Bonds, held by the Academy Trustee:

(a) Bond Principal Fund;

(b) Bond Interest Fund;

(c) RESERVED;

(d) RESERVED;

(e) RESERVED;

(f) Rebate Fund;

(g) Expense Fund; and

(h) Repair and Replacement Fund.

The Academy Trustee may but shall not be required to, establish separate accounts in any Fund in connection with the Academy 2008 Bonds, any such separate account to be held pari passu with similar accounts established in the foregoing funds with respect to the Academy 2005 Bonds.

The Academy has pursuant to the State Aid Agreement irrevocably directed that the Authorizer make State Aid Payments to the Depository (as defined in the State Aid Agreement), for distribution to the Authority Trustee and the Trustee, pari passu, commencing after the date of issuance of the Academy 2008 Bonds, so long as any obligations of the Academy under the First Supplemental Indenture or the Academy Indenture remain outstanding or unsatisfied. Pursuant to the Authority Indenture, the Trustee shall receive State Aid Payments after satisfaction of the requirements set forth in the Authority Indenture. The Trustee shall apply such funds comprising the State Aid Payments as set forth in the provisions described under "Revenue Fund" below, subject to the immediately succeeding paragraph. Immediately thereafter, any State Aid Payments remaining on deposit with the Trustee after each payment required from the Revenue Fund has been made shall be transferred within one Business Day by the Trustee to the general fund of the Academy, which account information shall be provided in writing to the Trustee by the Academy.

Notwithstanding the foregoing, the requirements of FIRST, SECOND, and THIRD under the caption "Revenue Fund" below shall be conclusively satisfied when State Aid Payments are disbursed to the Authority Trustee as provided in the State Aid Pledge Agreement. Any amounts payable by the Academy to the Authority as Holder of the Academy 2008 Bonds, whether or not paid pursuant to the State Aid Agreement, shall be made to the Authority Trustee, as provided in the Financing Agreement.

Payments into the Bond Principal Fund and the Bond Interest Fund

The Academy Trustee shall deposit into the Bond Principal Fund or the Bond Interest Fund, as appropriate, as and when received; (a) [RESERVED]; (b) disbursements from the Revenue Fund as provided below under the caption "Revenue Fund"; (c) all moneys transferred to the Bond Principal Fund or Bond Interest Fund pursuant to applicable provisions of the First Supplemental Indenture; (d) all other moneys deposited into the Bond Principal Fund or Bond Interest Fund pursuant to the First Supplemental Indenture or the Academy Indenture; and (e) all other moneys received by the Academy Trustee when accompanied by directions from an Authorized Representative of the Academy not inconsistent with the First Supplemental Indenture that such moneys are to be paid into the Bond Principal Fund or Bond Interest Fund. There shall also be retained in the Bond Principal Fund and Bond Interest Fund, respectively, interest and other income received on investment of moneys in the Bond Principal Fund and Bond Interest Fund to the extent provided in the First Supplemental Indenture.

Custody of the Bond Principal Fund and the Bond Interest Fund

The Bond Principal Fund and the Bond Interest Fund shall be special trust funds, established by the Academy Trustee and held in the custody of the Academy Trustee, solely for the benefit of the Authority and other Academy Bondholders, pari passu, on a pro rata basis. The Academy Trustee shall withdraw sufficient funds from the Bond Principal Fund to pay the principal of and premium, if any, on the Academy Bonds as the same become due and payable, to withdraw sufficient funds from the Bond Interest Fund to pay the interest on the Academy Bonds as the same becomes due and payable and to withdraw sufficient funds from the Bond Interest Fund or the Bond Principal Fund for other purposes authorized in the First Supplemental Indenture and the Academy Indenture.

Amounts on deposit in the Bond Principal Fund and the Bond Interest Fund shall: (a) be held in trust solely for the benefit of the Authority and other Academy Bondholders, pari passu, on a pro rata basis; (b) be applied only in accordance with the provisions of the First Supplemental Indenture and the Academy Indenture; and (c) except as otherwise set forth in the First Supplemental Indenture, the Academy shall have no legal, equitable nor reversionary interest in, or right to, such amounts.

Payments into and Custody of the Repair and Replacement Fund; Disbursements from Repair and Replacement Fund

There shall be deposited into the Repair and Replacement Fund as and when received (a) all payments pursuant to the provisions described below under “Revenue Fund”, (b) all other moneys deposited into the Repair and Replacement Fund pursuant the First Supplemental Indenture, and (c) all other moneys received by the Academy Trustee when accompanied by directions not inconsistent with the First Supplemental Indenture that such moneys are to be paid into the Repair and Replacement Fund subject to the limitation that under no circumstances shall the Academy be required to deposit into the Repair and Replacement Fund in any School Year more than ½ of one percent of the budgeted Operating Expenditures on the first Business Day of each School Year. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in the First Supplemental Indenture. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement shall be transferred by the Academy Trustee to the Bond Interest Fund and applied to the payment of the interest on the Academy Bonds; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer shall not be less than the Repair and Replacement Fund Requirement. Academy Bondholders shall have no rights in or claims to money held in the Repair and Replacement Fund.

The Repair and Replacement Fund shall be in the custody of the Academy Trustee, but in the name of the Academy. Absent an Academy Event of Default under the First Supplemental Indenture, the Academy authorizes and directs the Academy Trustee to make each disbursement authorized or required by the provisions of this Section and to issue its checks therefor. The Academy Trustee shall keep and maintain adequate records pertaining to the Repair and

Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Academy.

Payments shall be made from the Repair and Replacement Fund upon receipt by the Academy Trustee of a written requisition from an Authorized Representative of the Academy setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facilities in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto.

Rebate Fund

In addition to any amounts deposited therein under the Academy Indenture, there shall be deposited into the Rebate Fund as and when received (i) investment income on moneys in the Funds to the extent provided in the direction of the Academy pursuant to the First Supplemental Indenture, (ii) moneys received from the Revenue Fund, (iii) moneys transferred to the Rebate Fund from the Bond Principal Fund or the Bond Interest Fund pursuant to the provisions of this Section, and (iv) all other moneys received by the Academy Trustee when accompanied by directions not inconsistent with the First Supplemental Indenture that such moneys are to be paid into the Rebate Fund. The Academy Trustee shall cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury (at the address provided in the Tax Certificate) at the times and in the amounts as directed by the Academy.

If upon receipt by the Academy Trustee of a report of the Rebate Analyst to the effect that the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, notwithstanding investment allocation provisions of the First Supplemental Indenture, the Academy Trustee, after first delivering a demand for such deficiency to the Academy, shall transfer moneys to the Rebate Fund from the following Funds in the following order of priority: the Repair and Replacement Fund, the Bond Principal Fund and the Bond Interest Fund. Upon receipt by the Academy Trustee of a report of the Rebate Analyst to the effect that the amount in the Rebate Fund is in excess of the amount required to be therein, such excess shall be transferred to the Bond Interest Fund. The Academy Trustee shall be entitled to rely conclusively upon such report of the Rebate Analyst in making such determination. This Section shall supersede all other Sections of the First Supplemental Indenture, to the end that the exclusion from gross income for the purposes of federal income taxation of interest on the Academy Bonds shall not be adversely affected as a result of the inadequacy at any time of the Rebate Fund, unless the total amount held by the Academy Trustee under all Funds established under the First Supplemental Indenture is insufficient, and no money for such purpose is provided by the Academy.

If, at any time when the Academy Trustee is required to retain or pay the Rebate Analyst, there is an insufficient amount of money in the Rebate Fund to retain or pay for the fees and expenses of the Rebate Analyst, then the Academy Trustee shall deliver to the Academy a demand for an amount sufficient to pay the Rebate Analyst.

Moneys to be Held in Trust

All moneys required to be deposited with or paid to the Academy Trustee under any provision of the First Supplemental Indenture or the Academy Indenture shall be held by the Academy Trustee in trust for the purposes specified in the First Supplemental Indenture and the Academy Indenture, and, except for moneys deposited in the Repair and Replacement Fund, moneys deposited with or paid to the Academy Trustee for the payment or redemption of specific Academy Bonds and moneys held by the Academy Trustee in the Rebate Fund and in the separate trust accounts pursuant to the First Supplemental Indenture, shall, while held by the Academy Trustee, constitute part of the Trust Estate and be subject to the lien of the First Supplemental Indenture, pari passu with the lien of the Academy Indenture. Moneys held in the Rebate Fund shall be held in trust by the Academy Trustee and shall be applied as provided in provisions of the First Supplemental Indenture regarding the Rebate Fund.

Revenue Fund

There shall be deposited in the Revenue Fund as and when received, all State School Aid and other amounts required to be deposited by the Academy with the Academy Trustee into the Revenue Fund pursuant to the State Aid Agreement and all other moneys deposited into the Revenue Fund pursuant to the First Supplemental Indenture.

All monies held on deposit in the Revenue Fund shall be disbursed by the Academy Trustee on the following dates in the following order of priority, such payments to be made pari passu with payments of like priority of the Academy Indenture regarding disposition of the Revenue Fund:

FIRST: on each Disbursement Date for State School Aid received in November through August, (i) commencing with the August 2008 State Aid Payment, for deposit in the Bond Interest Fund an amount (after taking into consideration earnings and other moneys then on deposit in the Bond Interest Fund) equal to one-fifth (1/5) of the interest due on the Academy 2008 Bonds (which amount is equal to the Scheduled Interest Component under the Financing Agreement) on the next succeeding Interest Payment Date, plus (ii) all amounts due as to interest on the Academy 2008 Bonds on the Disbursement Date or any previous Disbursement Date pursuant to this paragraph which have not otherwise been credited to the Bond Interest Fund pursuant to this paragraph or transferred to the Bond Interest Fund pursuant to applicable provisions of the First Supplemental Indenture;

SECOND: on each Disbursement Date for State School Aid received in November through August, (i) commencing with the November 2008 State Aid Payment, an amount (after taking into consideration earnings and other moneys then on deposit in the Bond Principal Fund) equal to one-tenth (1/10) of the principal due on the Academy 2008 Bonds (which amount is equal to the Scheduled Principal Component under the Financing Agreement) on the next succeeding Principal Payment Date, plus (ii) all amounts due as to principal on the Academy 2008 Bonds on the Disbursement Date of any preceding Disbursement Date which have not otherwise been credited to the Bond Principal Fund pursuant to this paragraph;

THIRD: on each Disbursement Date, commencing after the date of issuance of the Academy 2008 Bonds, to the Authority Trustee, an amount equal to Additional Payments, including, without limitation, Reserve Fund Payments and the Scheduled Fee Payment Component, required to be made pursuant to the Financing Agreement;

FOURTH: on the last Business Day of every Rebate Year and continuing until the full amount is so paid, to the Rebate Fund, any amount, as calculated by the Rebate Analyst, required of the Academy to be deposited in the Rebate Fund;

FIFTH: on each Disbursement Date, the Short-Term Debt Repayment amount necessary to service Short-Term Debt, if any;

SIXTH: on each Disbursement Date, the Capital Lease Repayment amount necessary to service Capital Leases, if any;

SEVENTH: on each Disbursement Date for State School Aid received in November through August (excluding October), commencing after the date of issuance of the Academy 2008 Bonds, to the Repair and Replacement Fund, one-tenth (1/10) of the amount required, under applicable provisions of the First Supplemental Indenture;

EIGHTH: on each Disbursement Date, (i) commencing after the date of issuance of the Academy 2008 Bonds, to the Expense Fund, an amount equal to one-tenth (1/10) of the Academy Trustee's Fees and Trustee's Expenses due on the next succeeding Interest Payment Date, plus (ii) any amount previously due under (i) of this paragraph but that remains unpaid because of an insufficiency in Revenues available therefore;

NINTH: on each Disbursement Date, (a) commencing after the date of issuance of the Academy 2008 Bonds to the Expense Fund, an amount equal to one one-tenth (1/10) of any amount owed as payment for the services of the Rebate Analyst on the next succeeding Principal Payment Date;

TENTH: on each Disbursement Date, commencing after the date of issuance of the Academy 2008 Bonds, all amounts remaining on deposit in the Revenue Fund after the Academy Trustee has made the disbursements required in FIRST through NINTH above, to the Academy.

Notwithstanding the foregoing, in lieu of depositing State Aid Payments allocable to the Academy 2008 Bonds pursuant to FIRST, SECOND, and THIRD hereof in the Revenue Fund, State Aid Payments in the amounts required to make such Scheduled Interest Component, Scheduled Principal Component, Reserve Fund Payments, Scheduled Fee Payment Component, and other Additional Payments, shall be disbursed to the Authority Trustee as provided in the State Aid Agreement and applied as provided in the Authority Indenture. Upon disbursement to the Authority Trustee as provided in the State Aid Pledge Agreement the requirements of FIRST, SECOND, and THIRD of this Section shall be conclusively satisfied.

Investments

So long as no Academy Event of Default exists, on written instructions received by the Academy Trustee from an Authorized Representative of the Academy on which instructions the Academy Trustee may conclusively rely, any moneys held as part of the Funds shall be invested by the Academy Trustee in Eligible Investments (a) with respect to the Expense Fund, maturing in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable, (b) with respect to the Bond Principal Fund and the Bond Interest Fund, maturing in the amounts and at the times necessary to provide funds to make the necessary principal and interest payments, as applicable, and with respect to the Rebate Fund, maturing in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable as determined by the Academy Trustee, and (c) with respect to the Repair and Replacement Fund, maturing in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable. If no such direction is received by the Academy Trustee, the Academy Trustee shall invest and reinvest such moneys in any investment referred to in the definition of Eligible Investments. All such Eligible Investments purchased shall mature or be redeemable on a date or dates prior to the time when the moneys so invested will be required for expenditure or could be so required under the terms of the First Supplemental Indenture. The Academy Trustee shall value the Eligible Investments held within the Funds on each December 31 and July 1 of each year, commencing December 31, 2008. In computing for any purpose under the First Supplemental Indenture the amount in any Fund on any date, Eligible Investments purchased shall be valued at the lesser of their market value or cost. The Academy Trustee shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in a Fund is insufficient for the purposes of such Fund. The Academy Trustee may make any and all investments permitted by the provisions of this Section through its trust or bond departments.

The Academy Trustee agrees to retain the documentation with respect to investments of moneys in the Funds as required by and as described in the Tax Certificate.

Insurance and Condemnation Proceeds

Reference is made to the provisions of the First Supplemental Indenture wherein it is provided that under certain circumstances the Net Proceeds of insurance payments and condemnation awards are to be paid to the Academy Trustee and to be disbursed and paid out as therein provided. The Academy Trustee accepts and agrees to perform such duties and obligations specified in the First Supplemental Indenture. The Academy Trustee shall fully cooperate with the Academy in the handling and conduct of any prospective or pending insurable event or condemnation proceeding with respect to the Facilities or any part thereof. The Academy Trustee may also establish temporary funds or accounts, as necessary, in its books or records in order to facilitate compliance with the provisions of the First Supplemental Indenture.

Maintenance and Modifications of Facilities by Academy

The Academy agrees that during the term of the First Supplemental Indenture the Facilities shall be operated and maintained, in compliance with all governmental laws, building codes, ordinances, and regulations and zoning laws as shall be applicable to the Facilities, unless the same are being contested in good faith by appropriate proceedings which operate to stay any action to foreclose or otherwise realize on any property of the Academy. The Academy agrees that during the term of the First Supplemental Indenture and the Academy Indenture it will at its own expense (a) keep the Facilities in as safe condition required by law and (b) except to the extent the Academy has determined that any portion of the Facilities is obsolete or not useful in its operations, keep the Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws. The Academy may dispose of portions of the Facilities that the Academy determines to be obsolete or not useful to operations of the Facilities. The Academy may also, at its own expense, make from time to time any additions, modifications or improvements to the Facilities (including modifications to the Facilities, if any) it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Academy which are affixed to the Facilities shall become a part of the Facilities. The Academy will not permit the removal of any personal property from the Facilities unless such personal property is obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value. The Academy will not permit any liens, security interests or other encumbrances other than Permitted Encumbrances to be established or to remain against the Facilities for labor or materials furnished in connection with the Facilities or any additions, modifications, improvements, repairs, renewals or replacements made by it to the Facilities; provided that if the Academy first notifies the Academy Trustee of its intention to do so, the Academy may, so long as no Academy Event of Default has occurred and is continuing, diligently prosecute, in good faith, at its own expense, a contest of any mechanics' or other liens filed or established against the Facilities and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Facilities or any part thereof will be subject to loss or forfeiture, in which event the Academy shall promptly pay and cause to be satisfied and discharged all such unpaid items. In the event that the Academy shall fail to pay any of the foregoing items required by this Section to be paid by the Academy, the Academy

Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Academy Trustee shall become an additional obligation of the Academy under the First Supplemental Indenture which amount the Academy agrees to pay on demand together with interest thereon at a rate which shall be 2% per annum above the highest rate of interest borne by any of the Academy Bonds or the Maximum Rate if less than such rate.

Taxes, Other Governmental Charges and Utility Charges

The Academy will pay, before any interest, collection fees or penalties shall accrue, (a) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Facilities or any interest therein, or any machinery, equipment, or other property installed or brought by the Academy therein or thereon which, if not paid, will become a lien on the Facilities or a charge on the Pledged Revenues prior to or on a parity with the charge thereon under the First Supplemental Indenture, (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Facilities provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Academy shall be obligated to pay only such installments as may have become due during the term of the First Supplemental Indenture.

The Academy may, at its own expense, but only if no Academy Event of Default under the First Supplemental Indenture has occurred and is continuing, diligently prosecute and in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom if, in the Opinion of Counsel, the Facilities shall not be subject to loss or forfeiture. In the event that the Academy is not able to obtain such Opinion of Counsel, such taxes, assessments or charges shall be paid promptly or secured by posting a bond with the Academy Trustee in form satisfactory to the Academy Trustee. In the event that the Academy shall fail to pay any of the foregoing items required by this Section to be paid by the Academy, the Academy Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Academy Trustee shall become an additional obligation of the Academy, which amount the Academy agrees to pay on demand together with interest thereon at a rate which shall be 2% per annum above the highest rate of interest borne by the Academy Bonds or the Maximum Rate if less than such rate.

Insurance Required

Throughout the term of the First Supplemental Indenture, the Academy shall keep, or cause to be kept, the Facilities insured against the following risks, paying as the same become due and payable all premiums with respect thereto:

A mortgagee's title insurance policy in an amount equal to the original principal amount of the Academy Bonds in a form acceptable to the Academy, as required by the First Supplemental Indenture.

Insurance against loss or damage to the Facilities and all improvements therein (including, during any period of time when the Academy is making alterations, repairs or improvements to the Facilities, improvements and betterments coverage), all subject to standard form exclusions, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State, in an amount equal to the full replacement value of the Facilities.

Commercial general liability, professional liability and automobile liability insurance against claims arising in, on or about the Facilities, including in, on or about the sidewalks or premises adjacent to the Facilities, providing coverage limits not less than the coverage limits customarily carried by owners or operators of Facilities of similar size and character within the State.

Such other forms of insurance as are customary in the industry or as the Academy is required by law to provide with respect to the Facilities, including, without limitation, any legally required worker's compensation insurance and disability benefits insurance.

All the insurance coverage required by this Section may be subject to deductible clauses in such amounts as are customary for public school academy Facilities of similar size, type and character within the State.

All policies maintained (or caused to be maintained) by the Academy pursuant to this Section shall be taken out and maintained with generally recognized, responsible insurance companies rated not less than "A" by A.M. Best, authorized in the State, which may include "captive" insurance companies or governmental insurance pools, selected by the Academy. The insurance policies required by subsections (a), (b) and (c) of this Section to the extent not in conflict with the Academy's Contract to operate as a public school academy shall name the Academy Trustee and the Academy as insureds as their respective interests may appear, and, provided further that all insurance proceeds for losses, and except for worker's compensation, fidelity insurance and liability insurance, shall be paid in accordance with applicable provisions of the First Supplemental Indenture. Such policies or certificates of insurance shall provide that (except as to insurance required pursuant to subsection (d) of this Section) the insurer will mail 30 days' written notice to the Academy Trustee of any reduction in amount, material change in coverage or cancellation prior to expiration of such policy.

The Academy shall deliver to the Academy Trustee (a) upon the commencement of the term of the First Supplemental Indenture, and (b) annually upon renewal, the certificate of insurance which the Academy is then required to maintain pursuant to this Section.

Advances by Trustee

In the event the Academy shall fail to maintain the full insurance coverage required by the First Supplemental Indenture or shall fail to keep the Facilities in the condition required by the First Supplemental Indenture (except as otherwise therein permitted), the Academy Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts advanced therefor by the Academy Trustee shall become an additional obligation of the Academy under the First Supplemental Indenture to the one making the advance, which amounts the Academy agrees to pay on demand together with interest thereon at a rate which shall be 2% per annum above the highest interest rate borne by any of the Academy Bonds or the Maximum Rate if less than such rate.

Damage, Destruction and Condemnation

In the event of a casualty or condemnation with respect to the Facilities, and so long as no Academy Event of Default exists and is continuing, the proceeds from any insurance policy or the proceeds of any condemnation award resulting from such casualty or condemnation, shall be used to repair or replace the portion of the Facilities damaged, destroyed or taken or to prepay the Academy 2008 Bonds, pro rata with the Academy 2005 Bonds, in accordance with the terms of the First Supplemental Indenture in accordance with the following provisions:

(a) In the event of a casualty or condemnation that results in an award less than or equal to $100,000 (which amount shall be increased as of each July 1 by a percentage equal to the past year's increase in the Consumer Price Index for Wayne County (the "CPI Adjustment") as provided by the Academy to the Academy Trustee) from any insurance policy or condemnation awards, such proceeds shall be paid directly to the Academy to provide for the repair, replacement or restoration of the Facilities to substantially the same condition as it was prior to such damage, destruction or condemnation.

(b) Whenever such Net Proceeds from any insurance policy or condemnation award are greater than $100,000 (plus the applicable CPI Adjustment), such Net Proceeds shall be paid to the Academy Trustee and held in the Repair and Replacement Fund to be applied to repair, replace or restore the Facilities or, if applicable, to the prepayment of the Academy 2008 Bonds, pro rata with the Academy 2005 Bonds, as provided in applicable redemption provisions of the First Supplemental Indenture. The Net Proceeds deposited into the Repair and Replacement Fund from such insurance policy or condemnation award, but excluding those deposits required under the heading "Revenue Fund," shall be disbursed by the Academy Trustee periodically at the request of the Academy for the repair, restoration or replacement of the Facilities upon the receipt by the Academy Trustee from the Academy of (i) a Consulting Architect's Certificate which substantially states that such repairs, replacements or restorations will restore the Facilities to substantially its original condition, will be completed in accordance with plans and specifications provided to the Academy Trustee, and that such repairs, replacements or restorations when completed in accordance with the plans and specifications furnished to the Academy Trustee will comply with all applicable statutes, codes and regulations; (ii) a certificate of an Authorized Representative of the Academy stating that sufficient moneys are available in the Repair and Replacement Fund to pay for such repair, restoration or replacements to be completed and together with available business interruption insurance and other available Pledged Revenues, to pay debt service on the Academy Bonds and Operating Expenses of the Facilities during the restoration period; (iii) requisitions and certificates from the Academy; (iv) applicable lien waivers; (v) a construction contract; and (vi) evidence that the Academy has acquired all permits and licenses necessary for such construction; and, if such net proceeds are in excess of $250,000, in addition to those requirements listed in (i) through (vi) above, (A) an endorsement to the applicable title insurance policy insuring the continued priority of the lien of the Mortgage; and (B) an opinion of Bond Counsel to the effect that neither such repairs, replacements nor restorations nor such use of such casualty or condemnation proceeds adversely affects the exclusion from gross income for federal income tax purposes of interest on the Academy Bonds. The Academy Trustee shall retain 10% of the requested disbursements to be disbursed upon final completion of the repairs, replacements, restorations or improvements as certified by the Consulting Architect and receipt of certificates of occupancy, waivers of liens and, if such net proceeds are in excess of $250,000, an endorsement to the title policy for the Facilities insuring the continued priority of the Mortgage. If at any time during the restoration, the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Facilities, the Academy shall provide the Academy Trustee with cash or cash equivalents in an amount equal to the shortfall. If after completion of any such repairs, replacements, or improvements any funds remain in the Repair and Replacement Fund which exceed the Repair and Replacement Reserve Requirement, the remaining funds shall be transferred by the Academy Trustee to the Bond Interest Fund and Bond Principal Fund, accordingly, and to redeem Academy 2008 Bonds, pro rata with the Academy 2005 Bonds, pursuant to the applicable redemption provisions of the First Supplemental Indenture. Notwithstanding the above provisions, all available proceeds of business interruption insurance shall be paid to the Academy Trustee and deemed to be Pledged Revenues for purposes of the First Supplemental Indenture and the Academy Indenture.

(c) Notwithstanding any of the foregoing, if net proceeds from the casualty or condemnation of all or any portion of the Facilities exceed $100,000, and the Academy 2008 Bonds are not otherwise to be prepaid pursuant to applicable redemption provisions of the First Supplemental Indenture, the Academy shall immediately notify the Academy Trustee and the Academy Bondholders regarding such casualty or condemnation and shall, no later than 90 days following the occurrence of the events resulting in the casualty or condemnation, notify the Academy Trustee in writing whether or not the Academy intends to repair and/or rebuild the Facilities. If the Academy does not intend to repair and/or rebuild the Facilities, the Academy Trustee shall cause such insurance proceeds to be used to prepay the Academy 2008 Bonds, pro rata with the Academy 2005 Bonds, as provided in applicable redemption provisions of the First Supplemental Indenture. If the Academy intends to repair and/or rebuild the Facilities, said notice from Academy shall contain the following additional information, together with a statement from the Academy certifying to the accuracy of such information:

(i) a description of the damaged, destroyed or taken portion of the Facilities;

(ii) the estimated time to complete repair, replacement or restoration of the damaged, destroyed or taken portion of the Facilities, as determined by a qualified independent contractor retained by the Academy;

(iii) the total estimated cost of such replacement, repair or restoration, as determined by a qualified independent contractor retained by the Academy; and

(iv) the source of funds the Academy has available (including, but not limited to, insurance proceeds), to complete the repair, replacement or restoration and to make payments due under the First Supplemental Indenture during the period of repair, replacement or restoration.

Mandatory Prepayment from Insurance or Condemnation Proceeds

The Academy 2008 Bonds are redeemable, pro rata with the Academy 2005 Bonds redeemable under the Academy Indenture, at the option and upon the direction of the Academy, in whole at any time or in part on any Business Day from and to the extent of funds from the Net Proceeds of any insurance policy or condemnation award, are on deposit under the First Supplemental Indenture or the Academy Indenture and available for this purpose at a redemption price equal to the principal amount of each Series 2008 Bond to be redeemed plus accrued interest to the redemption date, upon the occurrence of any of the following events:

(i) The Facilities shall have been damaged or destroyed in whole or in part to such extent that, as expressed in a Consulting Architect's Certificate filed with the Academy Trustee, either (A) the Facilities cannot reasonably be restored within a period of 12 consecutive months to the condition thereof immediately preceding such damage or destruction, (B) the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months, (C) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the applicable requirements of the First Supplemental Indenture and the Academy Indenture or (D) the final maturity of the Academy 2008 Bonds is within five years of the date of such damage or destruction.

(ii) Title to, or the temporary use of, all or any substantial part of the Facilities shall have been taken under the exercise of the power of eminent domain by any governmental entity, or Person, firm or corporation acting under governmental authority or because of a defect in title.

Discharge of Lien and Security Interest

Subject to the next paragraph, upon payment in full of the Academy Bonds, the lien of the First Supplemental Indenture and the Academy Indenture upon the Academy Security shall cease, terminate and be void, and thereupon the Academy Trustee, upon determining that all conditions precedent to the satisfaction and discharge of the First Supplemental Indenture and the Academy Indenture have been complied with, and upon payment of the Academy Trustee's fees, costs and expenses under the First Supplemental Indenture, shall (i) cancel and discharge the First Supplemental Indenture and the Academy Indenture and the security interests, (ii) execute and deliver to the Academy such instruments in writing as shall be required to cancel and discharge the First Supplemental Indenture, the Academy Indenture, and the security interests, (iii) reconvey, as applicable, to the Academy the Academy Security, and (iv) assign and deliver to the Academy so much of the Academy Security as may be in its possession or subject to its control, except, in the event of a defeasance of the Academy Bonds, moneys and Government Obligations held in the Bond Principal Fund and Bond Interest Fund for the purpose of paying Academy Bonds; provided, however, such cancellation and discharge of the First Supplemental Indenture and the Academy Indenture shall not terminate the powers and rights granted to the Academy Trustee with respect to the payment, transfer and exchange of the Academy Bonds; and provided, further, that the rights of the Academy and the Academy Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

Events of Default

Any one of the following shall constitute an Academy Event of Default under the First Supplemental Indenture and under the Academy Indenture:

(a) Default in the payment of any interest on any Academy Bond when and as the same is due;

(b) Default in the payment of the principal of or any premium on any Academy Bond when and as the same is due, whether at the stated maturity or redemption date thereof or by acceleration;

(c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Academy included in the First Supplemental Indenture, the Academy Indenture or in the Academy Bonds and the continuance thereof for a period of 30 days after the Academy Trustee gives written notice to the Academy;

Any default described in subsection (c) above may be waived by the Academy Trustee from time to time if the Academy is proceeding with all due diligence to cure such default and the Academy is not otherwise in default under the First Supplemental Indenture.

Acceleration

Upon the occurrence and continuation of any Academy Event of Default under the First Supplemental Indenture, the Academy Trustee may and upon the written request of the holders of not less than fifty-one (51%) percent in combined aggregate principal amount of Academy Bonds then Outstanding the Academy Trustee shall immediately, by notice in writing sent to the Academy, declare the principal of and any premium on all Academy Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Academy Bonds shall cease to accrue on the date of such declaration.

Immediately following any such declaration of acceleration, the Academy Trustee shall mail notice of such declaration by first class mail to each holder of the Academy Bonds at such holder's last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Other Remedies; Rights of Academy Bondholders

Upon the happening and continuance of an Academy Event of Default under the First Supplemental Indenture the Academy Trustee may with or without taking action to accelerate the Academy Bonds, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of the First Supplemental Indenture or the Academy Indenture.

Subject to the acceleration provisions of the First Supplemental Indenture, upon the happening and continuance of an Academy Event of Default, and if requested to do so by the holders of at least fifty-one (51%) percent in combined aggregate principal amount of Academy Bonds then Outstanding and the Academy Trustee is indemnified as provided in the First Supplemental Indenture and the Academy Indenture, the Academy Trustee shall exercise such of the rights and powers conferred by this Section and by the acceleration provisions of the First Supplemental Indenture as the Academy Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Academy Bondholders.

No remedy by the terms of the First Supplemental Indenture or the Academy Indenture conferred upon or reserved to the Academy Trustee (or to the Academy Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Academy Trustee or to the Academy Bondholders under the First Supplemental Indenture or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Academy Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Academy Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Academy Event of Default under the First Supplemental Indenture, whether by the Academy Trustee or by the Academy Bondholders, shall extend to or shall affect any subsequent default or Academy Event of Default or shall impair any rights or remedies consequent thereon.

Supplemental Indentures Without Academy Bondholder Consent

The Academy and the Academy Trustee, without the consent of or notice to any Academy Bondholders, may enter into an indenture or indentures supplemental to the First Supplemental Indenture or the Academy Indenture and not inconsistent with the First Supplemental Indenture for one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained in the First Supplemental Indenture or in any supplemental indenture which may be defective or inconsistent with any provision contained in the First Supplemental Indenture or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the First Supplemental Indenture or the Academy Indenture which do not materially adversely affect the interest of the Academy Bondholders;

(b) To grant to or confer upon the Academy Trustee for the benefit of the Academy Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Academy Bondholders or the Academy Trustee;

(c) To grant or pledge to the Academy Trustee for the benefit of the Academy Bondholders any additional security other than that granted or pledged under the First Supplemental Indenture;

(d) To modify, amend or supplement the First Supplemental Indenture or the Academy Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Academy Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Trustee, separate trustees or co-trustees in the manner provided in Article XI;

(f) To make any other change which, in the judgment of the Academy Trustee, is not materially adverse to the Academy Trustee or the Academy Bondholders.

When requested by the Academy, and upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent under the First Supplemental Indenture have been met, the Academy Trustee shall join the Academy in the execution of any such supplemental indenture.

Amendments to First Supplemental Indenture or Academy Indenture; Consent of Academy Bondholders

Exclusive of supplemental indentures covered by the immediately preceding Section and provisions contained in this Section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Academy Bonds then Outstanding and affected by such indenture or indentures supplemental to the First Supplemental Indenture or to the Academy Indenture shall have the right, from time to time, anything contained in the First Supplemental Indenture or the Academy Indenture to the contrary notwithstanding, to consent to and direct the execution by the Academy Trustee of such other indenture or indentures supplemental to the First Supplemental Indenture or to the Academy Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular manner, any of the terms or provisions contained in the First Supplemental Indenture, the Academy Indenture or in any supplemental indenture; provided, however, that nothing in the First Supplemental Indenture shall permit, or be construed as permitting (a) without the consent of the holders of all Academy Bonds then outstanding (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Academy Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, any Academy Bond, (iii) a preference or priority of any Academy Bond or Academy Bonds over any other Academy Bond or Academy Bonds, (iv) the creation of a lien prior to the lien of the First Supplemental Indenture or the Academy Indenture, or (v) a reduction in the aggregate principal amount of the Academy Bonds required for consent to any supplemental indenture, or (b) a modification or change in the duties of the Academy Trustee under the First Supplemental Indenture without the consent of the Academy Trustee. The giving of notice to and consent of the Academy Bondholders to any such proposed supplemental indenture shall be obtained pursuant the First Supplemental Indenture.

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

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LAW OFFICES
LEWIS & MUNDAY
A PROFESSIONAL CORPORATION
2490 FIRST NATIONAL BUILDING
660 WOODWARD AVENUE
DETROIT, MICHIGAN 48226
TELEPHONE (313) 961-2550
TELECOPIER (313) 961-1270

______________, 2008

Michigan Public Educational Facilities Authority
Treasury Building
Lansing, Michigan

Ladies and Gentlemen:

We have acted as bond counsel to the Michigan Public Educational Facilities Authority (the "Authority"), in connection with the issuance by the Authority of its Limited Obligation Revenue Bonds (Chandler Park Academy Project), Series 2008 in the aggregate principal amount of $8,465,000 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are authorized to be issued by Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended (the "Enabling Legislation"), a bond authorizing resolution adopted by the Authority on July 2, 2008 (the "Bond Resolution") and a Trust Indenture dated as of August 1, 2008 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), for the purpose of providing funds which will be used to (i) purchase the obligation (the "Municipal Obligation") of Chandler Park Academy, a public school academy organized under the laws of the State of Michigan (the "Academy"), (ii) fund a portion of the reserve fund for the Bonds, and (ii) pay costs of issuance of the Bonds. The Municipal Obligation is issued under a First Supplemental Indenture dated as of August 1, 2008 (the "First Supplemental Indenture") between the Academy and U.S. Bank National Association, as trustee (the "Academy Trustee"), which supplements and amends a Trust Indenture dated as of August 9, 2005 between the Academy and the Academy Trustee (the "Academy Indenture"). The Academy has heretofore issued obligations under the Academy Indenture, which are payable on parity with the Municipal Obligation. The Authority's purchase of the Municipal Obligation is evidenced by a Financing Agreement dated as of August 1, 2008 (the "Financing Agreement") between the Academy and the Authority. The Academy will use the proceeds of the Bonds to acquire a certain public school academy facility.

Under the Financing Agreement, the Academy has agreed to make installment payments to be used to pay when due the principal of, premium (if any) and interest on the Bonds. Such installment payments and other payments and revenues under the Financing Agreement (collectively, the "Security") and the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Authority to the Trustee as security for the Bonds pursuant to the Indenture. The Bonds are payable solely from the Security.

With respect to the valid existence of the Academy as a Michigan public school academy, the power of the Academy to enter into and perform its obligations under the Financing Agreement, the First Supplemental Indenture and other documents to which it is a party, the due authorization, execution and delivery of the Financing Agreement, the First Supplemental Indenture, the Municipal Obligation and the other documents to which the Academy is a party and the validity and enforceability of them against the Academy, we refer you to the opinion of Dickinson Wright PLLC, counsel to the Academy, dated the date of this letter.

We have assumed the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Academy contained in the Financing Agreement and the Indenture, the certified proceedings and other certifications of public officials and others furnished to us, including a nonarbitrage and tax compliance certificate of the Authority and the Academy and certifications furnished to us by or on behalf of the Authority and the Academy, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Authority is a public body corporate and politic validly existing under the laws of the State of Michigan with the power to enter into and perform its obligations under the Indenture and the Financing Agreement and to issue the Bonds.

2. The Indenture and the Financing Agreement have each been duly authorized, executed and delivered by the Authority and each is a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms. The Indenture creates a valid lien on the Security and on the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees).

3. The Bonds have been duly authorized, executed and delivered by the Authority, and are valid and legally binding limited obligations of the Authority, payable solely from the Security.

4. The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax imposed on such corporations. This opinion set forth in clause (a) above is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to

the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

5. The Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding (i) the accuracy, adequacy or completeness of any disclosure document relating to the Bonds or (ii) the perfection or priority of the lien on the Security or other funds created by the Indenture. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than an expressly set forth herein.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX G

FORM OF OPINION OF THE ATTORNEY GENERAL

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FORM OF OPINION OF THE ATTORNEY GENERAL

Michigan Public Educational Facilities Authority
Richard H. Austin Office Building
Lansing, Michigan

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of bonds designated MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY LIMITED OBLIGATION REVENUE BONDS (CHANDLER PARK ACADEMY PROJECT), SERIES 2008 in the aggregate principal amount of $__________ (the "Bonds"):

(1) Executive Order 2002-3, the Shared Credit Rating Act, 1985 PA 227, as amended, and the Michigan Strategic Fund Act, 1984 PA 270, as amended, (the "Enabling Legislation") which collectively created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Authority on ___________, 2008 authorizing the issuance of the Bonds (the "Resolution");

(3) an executed counterpart of the trust indenture dated as of ___________, 2008 (the "Indenture"), entered into between the Authority and U.S. Bank National Association, as trustee (the "Trustee");

(4) an executed counterpart of the financing agreement dated as of __________, 2008 (the "Financing Agreement") entered into between the Authority and Chandler Park Academy, a Michigan public school academy (the "Academy");

(5) executed counterparts of the amended and restated state aid agreement dated as of ___________, 2008, (the "State Aid Agreement") among the Authority, the Trustee, the State Treasurer, the Board of Control of Saginaw Valley State University, and the Academy;

(6) a Nonarbitrage Certificate of the Authority;

(7) one Bond as executed, or a specimen thereof; and

(8) one bond issued by the Academy (the "Municipal Obligation").

The Bonds are being issued for the purpose of (i) purchasing the Academy's Municipal Obligation as evidenced by the Financing Agreement; (ii) funding a debt service reserve fund (iii) providing funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds.

The Academy will execute and deliver an amended and restated mortgage (the "Mortgage") in favor of the Academy Trustee as additional security for the Municipal Obligation.

In rendering this opinion, I have relied upon the opinion, dated today, of Dickinson Wright, PLLC, counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability of the Municipal Obligation, the Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a public school academy under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.

2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority.

3. The Indenture and the Financing Agreement have each been duly authorized, executed, and delivered by the Authority and each constitutes a valid and binding agreement of the Authority enforceable in accordance with their terms.

4. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.

5. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

6. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely yours,

MIKE COX
Attorney General

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Assistant Attorney General

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Assistant Attorney General

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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

$8,465,000

Michigan Public Educational Facilities Authority
Limited Obligation Revenue Bonds
(Chandler Park Academy Project)
Series 2008

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Chandler Park Academy (the "Academy"), a Michigan public school academy, in connection with the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of its Limited Obligation Revenue Bonds (Chandler Park Academy Project) Series 2008 in the aggregate principal amount of $8,465,000 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture (the "Indenture") dated as of August 1, 2008 between the Authority and U.S. Bank National Association, a national banking association, as trustee and a resolution adopted by the Authority on July 2, 2008, authorizing the issuance, sale and delivery of the Bonds. The Academy covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Academy for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule. The Academy acknowledges that this Agreement does not address the scope of any application of Rule 10b-5, promulgated by the SEC pursuant to the 1934 Act, to the Annual Reports or notices of the Listed Events provided or required to be provided by the Academy pursuant to this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

(a) "Annual Report" shall mean any annual report provided by the Academy pursuant to, and as described in, Sections 3 and 4 of this Agreement.

(b) "Bondholder" means the registered owner of a Bond or any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

(c) "CPO" means the Central Post Office disclosure facility, which allows municipal issuers to voluntarily file secondary market disclosure documents through the website located at URL www.DisclosureUSA.org.

(d) "Dissemination Agent" means any agent designated as such in writing by the Academy and which has filed with the Academy a written acceptance of such designation, and such agent's successors and assigns.

(e) "Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

(f) "MSRB" shall mean the Municipal Securities Rulemaking Board (www.msrb.org).

(g) "National Repository" shall mean any nationally recognized Municipal Securities Information Repository for purposes of the Rule. A current list of the National Repositories can be found at the U.S. Securities and Exchange Commission website (www.sec.gov/info/municipal/nrmsir.htm).

(h) "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) "Official Statement" shall mean the final Official Statement for the Bonds dated July 24, 2008.

(j) "Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

(k) "Repository" shall mean each National Repository and each State Repository.

(l) "Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

(m) "SEC" shall mean the Securities and Exchange Commission.

(n) "State" shall mean the State of Michigan.

(o) "State Repository" shall mean any public or private repository or entity designated by the State of Michigan as a state repository for the purpose of the Rule and recognized as such by the SEC. Currently, the following is the State Repository:

Municipal Advisory Council of Michigan
1445 First National Building
660 Woodward Avenue
Detroit, Michigan 48226-3517
Tel: (800) 337-0696
Fax: (313) 963-0943
www. macmi.com

SECTION 3. Provision of Annual Reports.

(a) Each year, the Academy shall provide or cause to be provided, or shall cause the Dissemination Agent to provide or to cause to be provided, on or prior to the 180th day after the end of the fiscal year of the Academy commencing with the fiscal year ending June 30, 2008, to each Repository an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Agreement. Currently, the Academy's fiscal year ends on June 30. So long as the SEC continues to authorize the use of the CPO by issuers of municipal securities who make continuing disclosure filings pursuant to the Rule, submission of an Annual

Report or other disclosures by the Academy or the Dissemination Agent to the CPO shall fulfill the Academy's obligations under this Section 3. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Academy are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

(b) If the Academy is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Academy shall send a notice in a timely manner to each National Repository or the MSRB, and to the State Repository.

(c) If the Academy's fiscal year changes, the Academy shall send a notice of such change to each National Repository or the MSRB, and to the State Repository. If such change will result in the Academy's fiscal year ending on a date later than the ending date prior to such change, the Academy shall provide notice of such change to each National Repository or the MSRB, and the State Repository on or prior to the deadline for filing the Annual Report in effect when the Academy operated under its prior fiscal year. Such notice may be provided to each National Repository or the MSRB, and to the State Repository along with the Annual Report, provided that it is filed at or prior to the deadline described above.

SECTION 4. Content of Annual Reports. The Academy's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Academy prepared pursuant to State laws, administrative rules and guidelines and pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governmental units such as the Academy.

(b) Additional annual financial information and operating data, if material, and other information pertaining to the Academy of the type set forth in Appendix A of the Official Statement under the section titled "Enrollment" (other than statistical information provided in Table 3 regarding Comparative Enrollment Growth), "State Aid Payments," and "Historical and Projected Revenues and Expenses" (other than projected information).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Academy or related public entities, which previously have been provided to each of the Repositories or filed with the SEC. If the document included by specific reference is a final official statement, it must be available from the MSRB. The Academy shall clearly identify each document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Academy covenants to provide, or cause to be provided, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material, in accordance with the Rule:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasance;
10. Release, substitution, or sale of property securing repayment of the Bonds; or
11. Rating changes.

(b) Whenever the Academy obtains knowledge of the occurrence of a Listed Event, the Academy shall as soon as possible determine if such event would constitute material information for the Bondholders, provided that any event under Section 5(a)(l), (8), (9), (10) or (11) above (only with respect to any change in any rating on the Bonds) will always be deemed to be material.

(c) The Academy shall promptly cause a notice of the occurrence of a Listed Event, determined to be material in accordance with the Rule, to be filed with the MSRB and with the State Repository, together with a Material Event Notice Cover Sheet. A sample Information Cover Sheet and instructions for filing the Material Event Notice can be found at the MSRB Website (www.msrb.org). In connection with providing a notice of the occurrence of a Listed Event described in Section 5(a)(9) above, the Academy shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) The Academy acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Agreement may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Academy is liable.

(e) The Academy acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Academy does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Academy's obligations under this Agreement shall terminate upon the legal defeasance of the Bonds or the prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Academy: (i) receives an opinion of nationally recognized bond counsel, addressed to the Academy, to the effect that those portions of the Rule, which require such provisions of this Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion; and (ii) delivers notice to such effect to the MSRB, and to the State Repository, if any.

SECTION 7. Dissemination Agent. The Academy, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Agreement, this Agreement may be amended, and any provision of this Agreement may be waived to the effect that:

(a) Such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Academy, or the types of business in which the Academy is engaged;

(b) This Agreement as so amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, in the opinion of independent legal counsel; and

(c) Such amendment or waiver does not materially impair the interests of the Bondholders, in the opinion of independent legal counsel.

If the amendment or waiver results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. If the amendment or waiver involves a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared based on the new accounting principles and those prepared based on the former accounting principles. The comparison should include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison should also be quantitative. A notice of the change in the accounting principles should be sent by the Academy to each National Repository or the MSRB and to the State Repository. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

SECTION 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Academy from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Academy chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Academy shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Academy to comply with any provision of this Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Academy to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Bonds, and the sole remedy under this Agreement in the event of any failure of the Academy to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Academy, the Dissemination Agent, the Participating Underwriter, and the Bondholders and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

CHANDLER PARK ACADEMY

By:______________________________

Its: ______________________________

Dated:____________

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY • LIMITED OBLIGATION REVENUE BONDS (CHANDLER PARK ACADEMY PROJECT), SERIES 2008

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